Mobius
INVESTMENT TRUST

Q4 2023 MANAGER COMMENTARY

*"Uncertainty is the road to turning points,
and every bend holds the promise of a new beginning."
Chat GPT*

29 January 2024

Dear fellow MMIT* shareholder,

Reflecting on the past quarter, the entirety of 2023, and the five-year trajectory since the trust's inception, the pervasive theme has been persistent uncertainty. Since our launch in 2018, we have carefully navigated challenges such as a pandemic, geopolitical turbulence, and economic shocks. In 2023, global concerns converged around inflation, the ongoing conflict in Ukraine, and worries surrounding the US and European economies. A slower recovery in China, coupled with the terrorist attacks by Hamas in Israel, the ensuing conflict and Houthi-led trade disruption in the Red Sea led to cautious investor positioning.

The final quarter saw a global equity rally, driven by expectations of Fed rate cuts in 2024. Developed markets outperformed their emerging market counterparts, mainly due to the robust performance of US equities and the continued success of the "magnificent seven". This has widened the already significant valuation gap between emerging market companies and their developed market peers in a number of sectors.

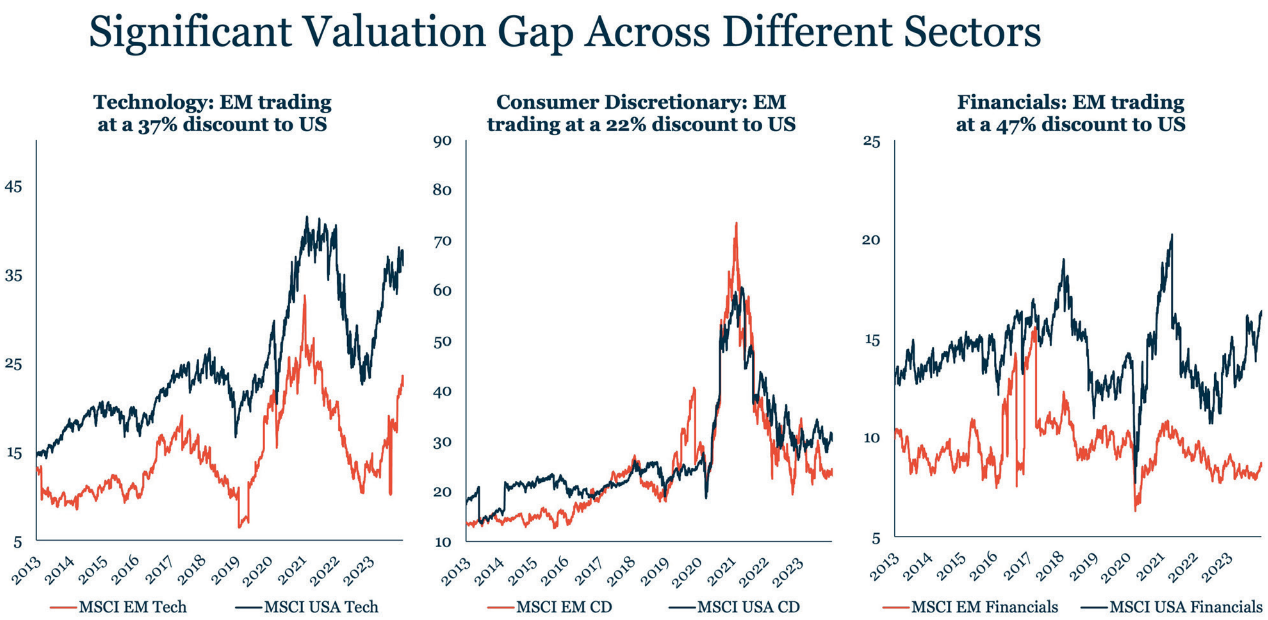

Chart 1: Source: Bloomberg, MCP, valuation on a P/E basis. Data as of 29 December 2023. P/E ratios taken from MSCI Net TR USD Indices for both EM and the US. * Mobius Investment Trust

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Despite the challenges facing emerging markets in 2023, the Mobius Investment Trust returned 12.3% (NAV), outperforming the MSCI Emerging Markets Net Total Return Index by 8.2% in GBP terms. This performance reflects our resilience and adept navigation of uncertainties, and reinforces our commitment to creating value for our investors.

Let us turn to some of the themes that engaged investors throughout the past year:

Inflation and Interest Rates
As US inflation recedes, the timing of interest rate adjustments remains a key question. The resilience of the US economy suggests a soft landing, but could also imply a prolonged period of elevated interest rates, with recent US retail data confirming that interest rates could remain higher for longer. Emerging markets, on the other hand, are benefiting from supportive domestic monetary policies that are boosting growth and consumption.

EM Ahead in the Tightening Cycle – Room for Cuts

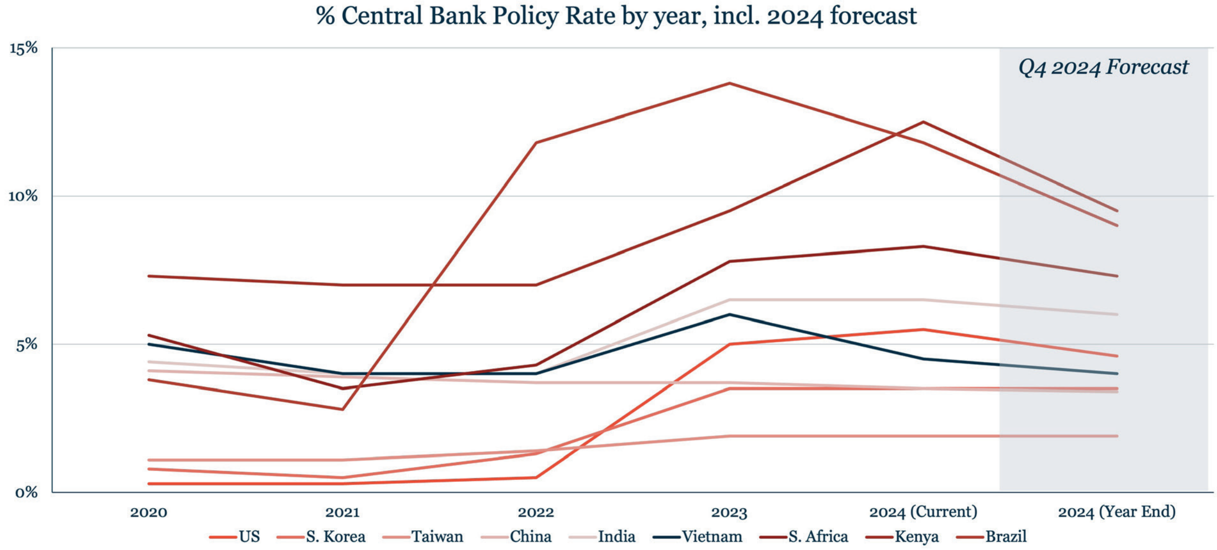

Chart 2: Source: Local central bank sources. Annual interest rates as of the end of March of each year, 2024 (current) refers to January 2024, 2024 (Year End) refers to Q4 2024 forecasts.

Geopolitics
Looking ahead, the geopolitical landscape, including conflicts in the Middle East and Ukraine, remains fluid. The outcome of the presidential elections in the US might alter the geopolitical situation yet again. The recent victory of the China-sceptic ruling party's candidate in Taiwan renewed concerns of a potential military reaction from China. While we closely monitor this situation, our recent trip to Taiwan to engage with companies and experts on the ground provided insights that mitigate immediate concerns about a military strike. At this point, China appears to have other priorities, given the sluggish recovery (*see section China Slump below*). Geopolitical considerations are likely to continue to dominate the investor agenda in 2024. Recent Houthi attacks on ships in the Red Sea are a stark reminder of the risks associated with the current conflicts, particularly given that around 10% of global trade passes through the Suez Canal[1]. The recent attacks could have a significant impact on transport costs, potentially leading to higher inflation and affecting central bank policy. Just as supply chains are normalising and inventory levels are declining, new disruptions in 2024 may continue to occupy our attention.

China Slump

China's sluggish recovery has emerged as a key theme in 2023 and beyond. This came as a bit of a surprise to many investors. The year had started off with the hope of a strong recovery when Chinese stocks rallied as the country bid farewell to its zero-Covid policy. We do not believe there is a quick fix for China's problems. Structural challenges such as property sector woes, overcapacity, slowing FDI flows and weak consumer sentiment, with about 70% of household wealth tied up in real estate[2], have left Chinese companies trading at attractive valuations. We invest cautiously in China due to governance and regulatory risks, preferring the indirect route via companies in Hong Kong, Taiwan and South Korea which offer better governance and transparency. However, screening the Chinese market for exciting companies that meet our quality investment criteria remains ongoing.

Artificial Intelligence

Artificial intelligence continues to be a strong driver of equity performance, a trend we believe is here to stay. Emerging technologies, such as on-device AI, are expected to create new revenue streams for select companies in the technology sector. Semiconductor companies in particular are benefiting from increased demand for high-performance chips. The positive outlook has boosted the share prices of some of the larger, better-known companies catering to this trend. However, our highly innovative companies, which provide essential components for high-performance chips and are yet to be widely discovered, continue to grow rapidly. We have already introduced you to two such companies in previous commentaries: Park Systems, a leader in atomic force microscopy that provides essential semiconductor testing functions to the makers of ever-smaller semiconductor chips, and Elite Material, which provides essential materials to the major chip makers. These are the types of companies we like; they are highly innovative and have strong moats and fundamentals.

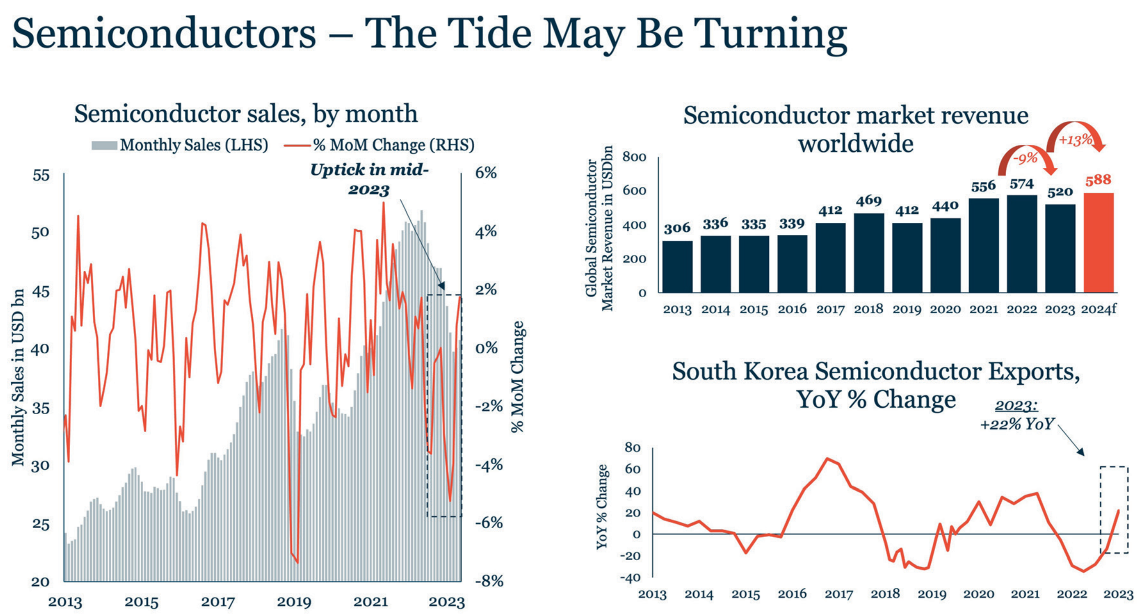

Chart 3: Source: Statista, Semiconductor Industry Association, Bloomberg, South Korea Ministry of Trade. Data as of 29 December 2023

Throughout the year, and in the fourth quarter, we worked diligently to refine our portfolio. This has involved the strategic addition of new, high-conviction companies from our pipeline. During

Q4, we added a Brazilian consumer company (*see Portfolio Spotlight below*) with a strong brand that is poised to benefit from improving consumer sentiment and rising demand as interest rates in the country continue to fall. Beyond Brazil, our focus on Asia in general and on India in particular, remains central to our strategy. In 2023, we added several holdings which have already contributed positively to the overall performance of the trust. These additions followed meticulous on-site evaluations and face-to-face meetings with management teams during our extensive visits to India and Southeast Asia. Analyst Swathi Seshadri just returned from India, conducting follow-up meetings with existing holdings and meeting over 30 companies in addition to economists and experts.

During Q4, the team engaged with every single portfolio holding to assess the current outlook. These discussions and recent earnings reports have provided positive momentum, reinforcing our optimistic outlook for 2024. We are bullish on emerging markets, where we see a potential inflection point characterised by attractive valuations, robust growth trajectories and the presence of highly innovative companies capitalising on prevailing trends and favourable macroeconomic tailwinds, including a weakening US dollar and supportive central bank policies.

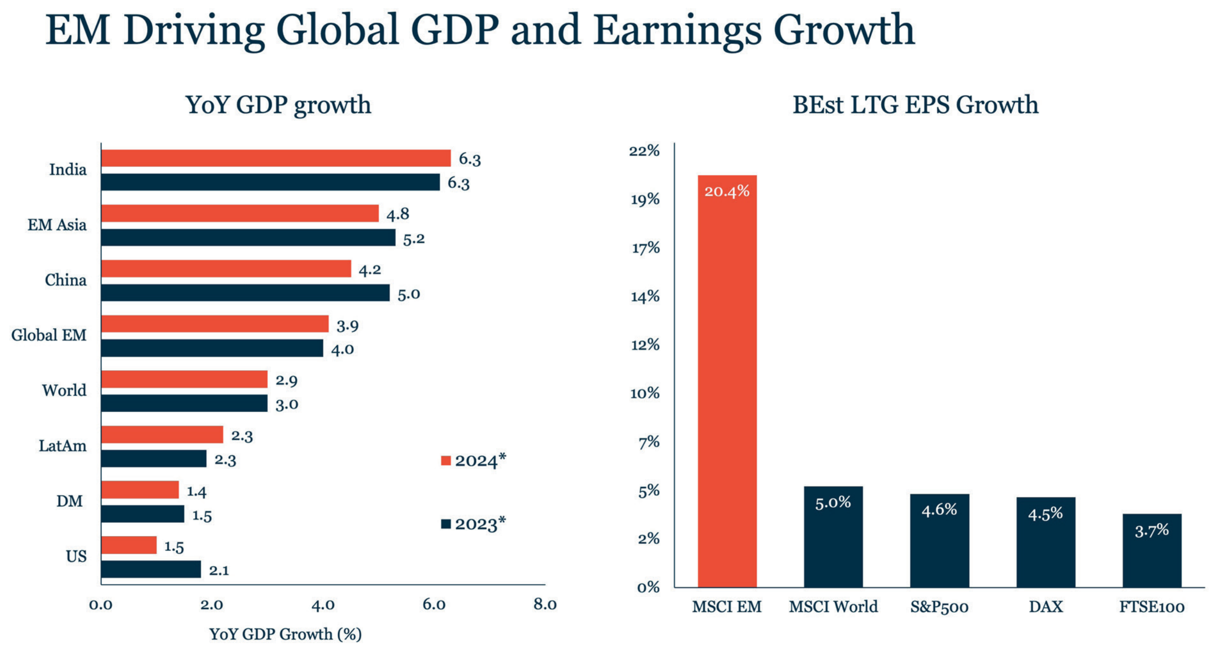

Chart 4: Source: IMF WEO October Update, Statista, BEst LTG EPS = EPS CAGR over next full business cycle (3-5 years) according to Bloomberg consensus. Data as of 29 December 2023. Asterix indicates forecast.

Although uncertainties remain, we believe our proactive approach to optimising the portfolio, adding high-conviction ideas and maintaining diversification across geographies and sectors positions us well. As we navigate the ever-changing landscape, our commitment to creating value and seizing opportunities remains unwavering.

Performance

During Q4, MMIT's net asset value per share and share price increase by 3.9% and 3.2% respectively, while the MSCI EM Mid Cap Net TR Index returned 4.2% (NAV) in GBP terms. The top contributors to Q4 performance were South Korean semiconductor testing business

MMIT – Performance since Inception

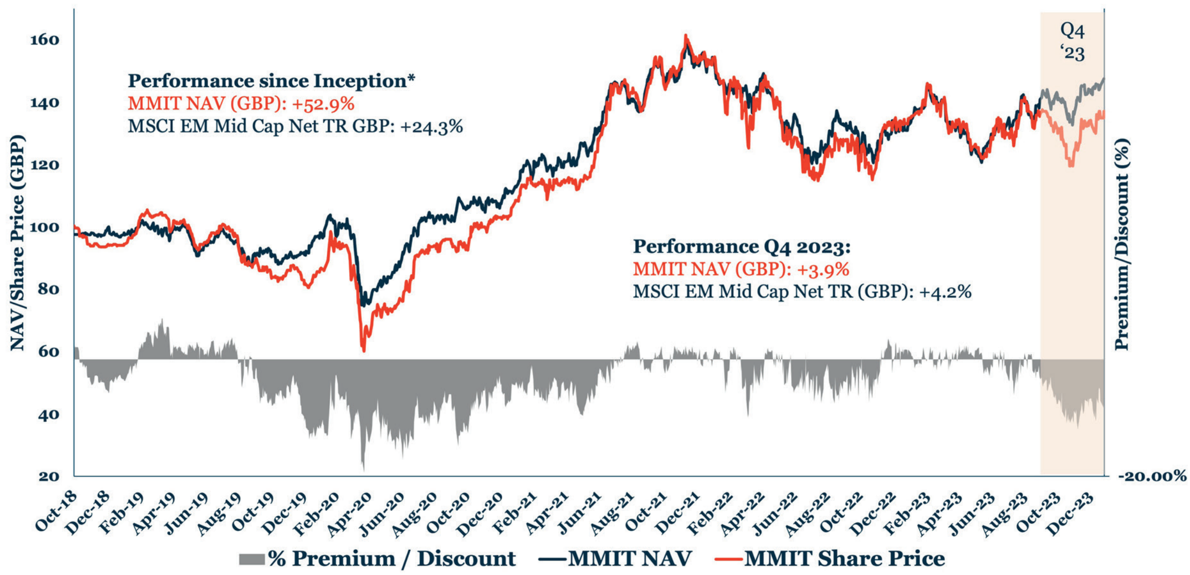

Chart 5: Source: Bloomberg, MCP, Frostrow Capital, *inception: 01 October 2018, all figures net total returns GBP

LEENO Industrial (+1.8%), followed by Taiwanese sensor technology company Zilltek Technology (1.4%) and by Brazilian software company TOTVS (+1.3%). LEENO Industrial benefited in the fourth quarter from signs of a global recovery in the semiconductor industry, in particular increased sales of integrated circuits (ICs) and stabilising inventory levels. The company delivered a share price return of +31.7% (GBP) over the quarter. We expect LEENO Industrial to continue a sustained upward trajectory, in line with the wider industry, into 2024. The main performance detractors were Hong Kong-based EC Healthcare (-1.4%), followed by Turkish software company Hitit (-0.8%) and Elite Material (-0.5%). During 2023, MMIT delivered a NAV return of 12.3%, outperforming the MSCI EM Mid Cap Index Net TR by 4.1% in GBP terms.

"During 2023, MMIT delivered a NAV return of 12.3%, outperforming the MSCI EM Mid Cap (Net TR) Index by 4.1% (GBP)."

Investment Update

As of 29 December 2023, MMIT has invested 94.6% of capital, with 27 holdings across 11 countries. The largest geographic exposure was Taiwan (25.3%), followed by India (18.8%) and South Korea (15.1%). The team continues to find the most high-conviction ideas in Asia, with the region accounting for over 60% in the portfolio. The largest sector exposure was technology (61.8%), followed by health care (11.2%) and industrials (6.1%). MMIT's technology exposure is well diversified across asset-light businesses in the semiconductor space (22.1%), globally operating software companies (26.8%), and producers of niche, IP-protected hardware (12.9%). The portfolio accumulated an impressive array of technology awards this quarter, highlighting the unique innovation of each company and reinforcing our conviction of their long-term value.

E Ink was listed in both the DJSI World and DJSI Emerging Markets for the second consecutive year as the Global Leader within the Technology Hardware & Equipment industry group. The 'World's Leading Travel Technology Provider' was awarded to Hitit, Turkish IT solutions provider. Meanwhile, airport service aggregator DreamFolks' and its founder, Liberatha Kallat, respectively won the World's Best Emerging Brand and the World's Best Emerging Leader 2023 from WCRCINT.

Top 10 Holdings (%)	Country	% of MMIT's portfolio
LEENO Industrial	South Korea	6.2
EPAM Systems	US	6.1
TOTVS	Brazil	5.9
Classys	South Korea	5.4
E Ink	Taiwan	5.0
Zilltek Technology	Taiwan	5.0
Elite Material	Taiwan	4.4
Parade Technologies	Taiwan	4.3
Persistent Systems	India	4.2
APL Apollo Tubes	India	3.8
Total		**50.3**

Allocation may vary over time.

Company Spotlight: Vivara (Brazil / Consumer)
During Q4, MCP added an exciting new business from Brazil to MMIT's portfolio. MCP invested in Brazil's largest jewellery brand, 'Vivara', following an extensive due diligence process that included interviews with key members of the founding family, senior management and global jewellery retail experts. Vivara, a 60-year-old brand, is the clear market leader with 18% market share in a highly fragmented market, where the nearest competitor is 1/10th the size. It operates nearly 400 stores across Brazil and has strong brand recognition among Brazilian consumers. In addition to its brand strength, we see Vivara's vertical integration as a moat. Vivara controls sourcing, design and production, one of the few companies in the world to do so, and enjoys high profitability as a result. A benign macroeconomic environment, expected interest rate cuts and buoyant consumer spending are tailwinds for the business. Vivara is ranked number one in gender diversity, has Leeds Silver certified stores and has a sustainability roadmap of which we are proud.

Over the period, MCP exited two holdings: WIN Semiconductors and Pentamaster International. The former was exited over capital allocation concerns, and the latter over deteriorating liquidity conditions.

Engagement & ESG+C®
Throughout 2023, MCP saw significant progress on ESG+C® factors across its portfolio companies, driven by extensive engagement with each holding. In particular, several portfolio companies received esteemed recognition for their ESG achievements. Sang-il Park, CEO of Park Systems, received the prestigious Hanyang Paiknam Award. 360 One, an Indian wealth management company, won awards such as 'Progressive Place to Work 2023' and 'Best HR Technology Company of the Year', and its independent director, Geeta Mathur, won the

'Woman Independent Director of the Year Award for a Listed Company'. At the 2023 Gender Mainstreaming Awards, South African pharmaceutical retailer Clicks Group stood out, with CEO Bertina Engelbrecht winning three reputable awards.

In addition, Vietnamese dairy company Vinamilk was recognised as a global sustainability leader, ranking in the top five in the global dairy industry according to Brand Finance. Notably, it is the only Southeast Asian company in this elite group, demonstrating its leadership in the region. Persistent Systems, an Indian software provider, was included in the MSCI India and S&P BSE 100 indices. Meanwhile, DreamFolks, an Indian airport aggregator, marked a milestone by publishing its first annual report outlining its contributions to the UN SDGs. These achievements underscore the commitment of MCP's portfolio companies to excellence in ESG practices and sustainable business operations.

While celebrating these achievements, MCP remains committed to driving further engagement with portfolio companies. Recent initiatives include urging MapymyIndia and DreamFolks in India to appoint in-house investor relations professionals, aiming to unlock their true value. MCP believes such appointments will optimise company engagement with investors and analysts, articulate business strategies more effectively and enhance brand visibility. Our recent trips to Korea and India have provided valuable insights, and upcoming trips to Southeast Asia and Brazil are planned for continued relationship building, insights gathering and driving our engagement efforts.

Opportunities in South Korea

Once celebrated for its economic success, South Korea, like many countries around the world, has recently faced economic challenges. The economy grew by a modest 1.4% in 2023[3] due to rising inflation, slowing exports and low domestic demand. Last year, the country's total exports fell by 7.4%[4] as sales of chips and other technology products declined partly due to China's economic slowdown and drive towards semiconductor self-sufficiency, as well as high borrowing costs. The Bank of Korea raised interest rates from 0.5% at the end of 2021 to a steady 3.5%[5] from January 2023.

Despite these obstacles, Korea is forecast to grow by 2.2% in 2024. This optimism is the result of a moderation in inflation, which fell to 3.2%[6] in December 2023, and a recovery in the semiconductor industry as a result of increased demand from artificial intelligence and stabilisation of inventory levels. South Korea beat expectations for growth in Q4 2023. Furthermore, the Bank of Korea is expected to adopt a dovish monetary policy in the second half of the year to stimulate further growth. Exports are forecast to grow by 7.9%[7] in 2024, and semiconductor exports have already been picking up (*see Chart 3 above*). This trend is supported by the direct feedback that we are receiving from our holdings in the technology sector, as they are reporting an increase in demand for their products.

Two years after the 2022 presidential election, Koreans are gearing up for the general elections to shape the 300-member Assembly Body. The current ruling party, the People Power Party (PPP), led by Yoon Suk-Yeol, with 103 seats, faces a crucial election to advance its reforms. The centre-left Democratic Party (DP), led by Lee Jae-myung, holds 180 seats. With only 36 out of 144 government proposals gaining approval for Yoon's PPP, securing a majority is vital. A majority for the PPP would likely be welcomed by the private sector in Korea, as Yoon intends to introduce favourable tax benefits for businesses and promote innovation in emerging industries. If the DP maintains their majority, we may expect to see further deadlocks within the legislature and sluggish progress in the passing of economic reforms.

Korea's financial market has evolved significantly since the establishment of the Korea Stock Exchange in 1956. Key milestones, including the introduction of a computerised trading system in 1983 and the merger to form the Korea Exchange (KRX) in 2001, reflect the market's adaptability. Regulatory reforms in 2002 brought Korea onto the international stage, which was recognised by its inclusion in the MSCI Emerging Markets Index in 2007. The market has responded dynamically to global trends, exploring innovations such as bitcoin futures trading in 2017. Recent optimism for Korea's return to the MSCI Developed Market Watch List in 2024 is based on government-initiated market reforms, albeit amid challenges such as the ban on short selling until June 2024, which experts expect to be a hurdle in Korea's bid to upgrade its global index status.

Korean Stock Market – Outperformance against Broader EM

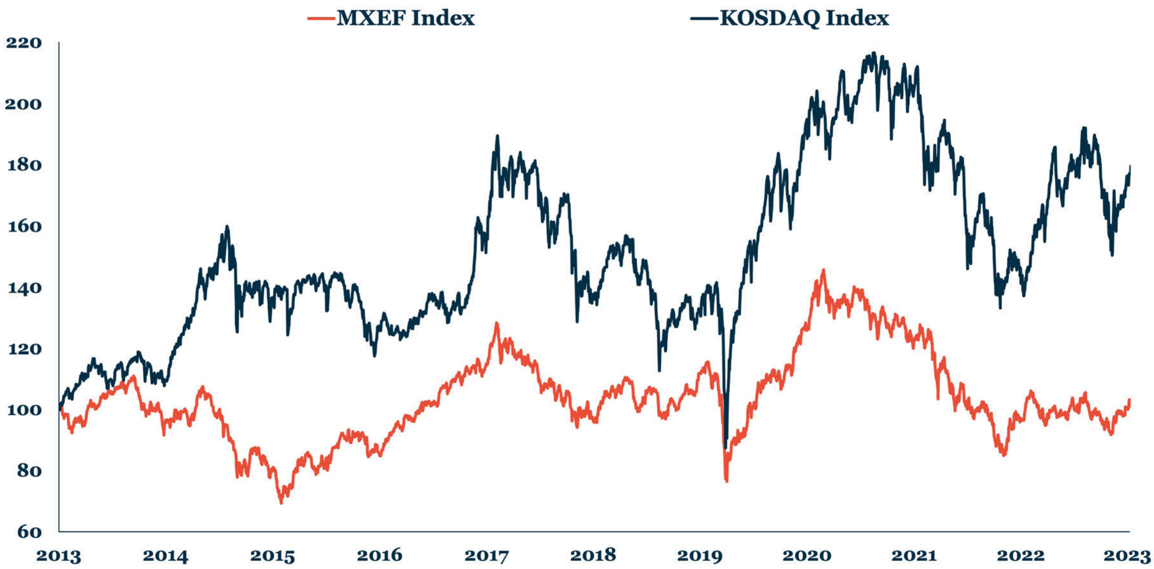

Chart 6: Source: Bloomberg

No analysis of South Korea's market is complete without acknowledging chaebols, immensely wealthy and influential family-owned conglomerates like Samsung, Hyundai Motor and LG. Emerging in the 1960s amid the government's drive for rapid industrialisation after the Korean War, chaebols capitalised on pro-industrialisation measures, dominating the market and diversifying globally. The symbiotic relationship with the government persists, contributing over half of the country's GDP. Despite their pivotal role, chaebols face criticism for weak corporate governance — issues such as low board independence, corruption and financial opacity.

"MMIT avoids the well-known mega caps and delves instead into the lesser-known mid cap space."

MMIT avoids the well-known mega caps and delves instead into the lesser-known mid cap space, uncovering opportunities among around 2,500 listed companies. Among these, we have identified research-driven companies with solid moats, capable management and robust governance. These companies provide essential components and services to the better-known large and mega caps. In addition, these companies can provide an indirect gateway to the Chinese market, circumventing regulatory risks and governance issues. Korea accounts for 15% of the Mobius Investment Trust's exposure.

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LEENO Industrial, which is a specialist semiconductor testing component provider, is among the top 5 holdings in MMIT's portfolio. It is a key supplier to its customers and has a resilient business model given its exposure to both R&D and production-related testing of chips. LEENO has continued to win new customers and increase its supplies to existing customers, which makes us optimistic of LEENO's competitive position. A recovery in the semi-conductor market bodes well and this expectation was also reflected in the recent share price performance.

Another notable contributor to our success is Classys, a family-founded business established in Seoul in 2007. It commands a 30% market share (excluding the US) in the global non-invasive medical aesthetic devices sector. Utilising high-intensity focused ultrasound (HIFU) and radio frequency (RF) technologies, Classys follows a "razor and blade" business model, consistently improving gross margins. While already present in 70 countries, its expansion into the US and China presents substantial growth opportunities. The third quarter of 2023 saw positive results, driven by product innovation and geographic expansion, with favourable guidance for FY24.

In 2023, we added Park Systems to our portfolio. As a leading manufacturer of atomic force microscopy (AFM) systems, Park Systems provides high-resolution imaging and measurement solutions critical to nanoscale research and development. Renowned for its innovative designs and cutting-edge technology, Park Systems plays a growing role in semiconductor testing. As ever smaller nodes are developed, the market for its applications will grow exponentially. Since its inclusion, Park Systems has made a significant contribution to the portfolio's performance, returning 25% (GBP) over the year. Our recent visit to Korea, engaging with companies, management and stakeholders, fortifies our conviction, outlook and pipeline of exciting opportunities undergoing due diligence.

MCP Analyst Mark Sporer at Park Systems headquarters during his recent visit to Korea

In November 2023, we announced Mark Mobius' well-deserved retirement from Mobius Capital Partners. We would like to express our gratitude for his mentorship, leadership and the remarkable energy and passion he brought not only to the business but also to our lives. The firm and its vehicles continue seamlessly under Carlos Hardenberg's leadership, supported by our exceptional team of passionate and dedicated analysts, who are committed to continuing to deliver superior long-term returns over the next decade.

We would like to thank you for your continued support. We look forward to another dynamic year investing in emerging markets with you, our valued clients.

Best wishes,

The Mobius Capital Partners Team

Footnotes:

1. https://unctad.org/news/red-sea-black-sea-and-panama-canal-unctad-raises-alarm-global-trade-disruptions).
2. OECD Economic Outlook, November 2023
3. https://www.jstor.org/stable/resrep52732?seq=4
4. BoK, Bank of Korea base interest rate trend (https://www.bok.or.kr/portal/singl/baseRate/list.do?dataSeCd=01&menuNo=200643)
5. Trading Economics, South Korea Inflation Rate (https://tradingeconomics.com/south-korea/inflation-cpi)
6. Trading Economics, South Korea exports YoY, https://tradingeconomics.com/south-korea/exports-yoy (footnote for exports decreasing 7.4% in 2023)
7. Korean International Trade Association

Risks

- MMIT pursues a very active management style. Its performance may therefore deviate considerably from that of a comparable market return.
- Pronounced fluctuations in price are characteristic of emerging and frontier economies. Other characteristics include specific risks such as lower market transparency, regulatory hurdles, illiquidity of markets as well as political and social challenges.
- Focusing intentionally on stocks in small and medium cap companies may entail additional risks (e.g. lower liquidity).
- The risk calculation as per the UK KID calculation method is 5 out of 7. The risk of potential losses from future performance is classified as medium-high. In the event of adverse market conditions, it is possible that the ability to carry out your return request will be affected.
- MMIT is subject to various other risks. Please refer to the Company's Prospectus at www.mobiusinvestmenttrust.com which should be read to ensure a full understanding of the risks involved in investing in the Company.

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