Q1 2019 MANAGER COMMENTARY

18 April 2019

Dear fellow MMIT shareholder,

Global equity markets rebounded in the first quarter of 2019. Dovish signals from the Federal Reserve and a thawing in US/China trade relations caused the MSCI AC World Index (GBP) to rally by 13.7% from its low on Christmas Eve 2018.[1] Stronger flows into emerging markets, predominantly driven by ETFs, had a particularly positive impact on larger caps and Chinese stocks.[2] A wider shift in investor sentiment towards the asset class had been somewhat expected. Throughout 2018, underlying corporate fundamentals remained mostly positive, while a mean reversion was also likely after markets had been oversold (*see 'Outlook' in MMIT Q4 2018 Manager Commentary*).

Whilst much of this ongoing recovery can be attributed to more positive news flow, outperformance over the longer term will be determined by the strength of emerging market corporates. Any signs of lasting durability will be evident when local businesses adjust their mindset and focus on shareholder value, rather than pure sales growth.

We believe this transformation has already started. Capex to sales ratios in emerging markets are down significantly. At its peak, between 1997-99, the ratio stood at 20%. Today that number is at 7%.[3] The capital cycle occurring in emerging markets can have positive implications for shareholders. It encourages balance sheet repair, lowers operating leverage and focuses on profits rather than expansion. Via our ongoing engagement with portfolio companies, we are witnessing this evolution first hand. We see a greater receptiveness to the importance

> *"Capex to sales ratios in emerging markets are down significantly"*

of capital efficiency. Corporate management teams have learnt the lessons of balance sheet overexpansion and then the resulting balance sheet recession. Despite this strengthening bottom up story, we expect elections in emerging and frontier markets to dominate the agenda in the forthcoming quarters, given the frequency of national votes in 2019. In May, India will witness the largest democratic exercise in human history, with almost a billion citizens expected to take part in the country's 17th General Election (*the 'Country in Focus' section of this commentary reflects in more detail on the Indian election and its consequences for the wider economy*). Upcoming elections in Argentina towards the end of 2019 may generate some investor unease, especially if a new government threatens to deviate from the country's agreed reform path. Given the emphasis our investment process places on the macro environment, we will continue to monitor regional and national elections closely.

Performance

The Net Asset Value (NAV) of MMIT increased by 0.1% over Q1 2019, reaching a high of 102.1p on 05 February and closing at 97.84p on 31 March 2019. The MSCI Emerging Markets Index (GBP) and MSCI Frontier Markets Index (GBP) were up 7.5% and 4.9% (respectively) over the same period.

MMIT's portfolio is predominantly exposed to smaller, non-index companies. Given our high active share (+99%), we do not believe that the MSCI Emerging Markets Index acts as a suitable benchmark to measure performance. That said, we understand many holders will inevitably do so regardless. Bearing this in mind, we have observed that our segment of the market has so far benefitted less from the reversal of flows versus the larger, index constituents.[4] However, any lag should only be short-term, as the recovery gathers pace.

Key positive contributors to the performance over this period were Yum China, Brilliance

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China Automotive and Eurocash. PT Matahari Department Store, Lojas Americanas and Oriflame Holding were the largest negative contributors. Over the quarter, MMIT's exposure to equities increased from 56.2% to 90.6%, with our remaining cash position adding a natural drag (3.2% compared to the wider market).

"MMIT's share price increased by 4.4% in Q1 2019"

MMIT's share price increased by 4.4% in Q1 2019, trading at an average premium to NAV of 2.2% (compared to a discount of -2.6% in Q4 2018). This reduced to 0.5% at close on 31 March 2019. The narrowing of the premium (from a peak of 7.0% on 13 March) can primarily be attributed to the issuing of 275,000 new ordinary shares in the last week of March. Known as 'a tap issuance', this mechanism ensures the premium does not reach excessive levels by meeting additional demand through the creation of new shares. Such issuance also assists in lowering MMIT's ongoing costs and potentially enhances secondary market liquidity. Up to 16 April, 1.35 million new shares had been issued.

Investment Update

As of 31 March 2019, MMIT had invested 90.6% of capital raised at IPO, with 21 holdings across 11 countries. As previously stated, we always look to exercise caution and discipline in allocating capital.

During the last quarter, the investment team have undertaken research trips to Brazil, China, India, South Africa, South Korea, Singapore, Taiwan, Vietnam and the UAE. A significant proportion of these country visits have been spent following up on our proposed engagement plans with portfolio companies' management teams. We have been very pleased with the early progress made, and we intend to provide further details after any material changes have been formally announced to the market.

MMIT's top ten holdings:

Top 10 Holdings (%):	Country	(%) of MMIT portfolio
Hugel Inc	South Korea	5.7%
Grupo Lala S.A.B de C.V.	Mexico	5.5%
Eurocash S.A.	Poland	5.5%
Yum China Holdings Inc	China	5.5%
eMemory Technology Inc	Taiwan	5.3%
Lojas Americanas S.A.	Brazil	4.9%
IOCHPE Maxion S.A.	Brazil	4.9%
Oriflame Holding AG	Global EM	4.9%
Mail.Ru Group	Russia	4.8%
Persistent Systems Ltd	India	4.7%
Total		**51.7%**

In-line with our previous quarterly report, below we have outlined how our two key investment pillars apply to holdings within our current portfolio, with pillar 1 (fundamental stock-picking) summarised under '*Why We Invested*', and pillar 2 (active engagement) summarised under '*Key Engagement Topics*'. Please note, however, that our full plans for engagement with each company are sensitive, and so cannot be disclosed in detail in this commentary.

Cafe24

Cafe24 offers a full suite of services for ecommerce retailers. It is free to use and allows off-line businesses to easily set up and manage their online stores. This includes overseeing inventory, handling payments, delivery and logistics, advertising and growing sales overseas. Cafe24 was founded 1999 by Jae-Suk Lee and listed on the KOSPI in February 2018. It has offices in South Korea, Japan, China, Philippines, Taiwan and the US.

Why we invested?

- **Growth:** Online gross merchandise volume across end markets creates an industry tailwind for Cafe24's services
- **International opportunity**: There is an opportunity to take share in Japan's bigger retail market, which is relatively underpenetrated compared to South Korea
- **Ecommerce ecosystem**: Free to use but their services embed customers, generate high switching costs and sticky revenues

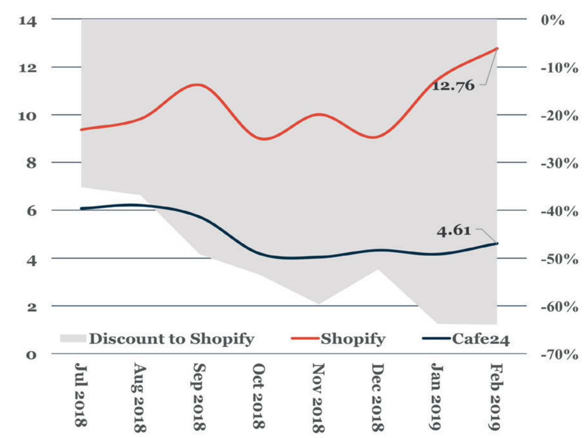
Key Engagement Topics

The engagement plan focuses on specific operational issues, capital management and management incentives.

Café 24 (South Korea) – market cap= $ 950m

Share price chart since the IPO (USD)

EV/Sales: discount to Shopify



Source: Bloomberg

eMemory

eMemory is a silicon intellectual property company based in Taiwan. Founded in 2000 by Dr. Charles Hsu, the focus of IP is embedded non-volatile memory (eNVM) which works when power isn't on. This memory is embedded in the integrated circuit (saving cost and space) and used for applications such as trimming, parameter setting, encryption, function selection, identification setting and code storage. eMemory listed on Taiwan's domestic exchange in 2011.

Why we invested?

- **Unique business model:** Upfront IP license fees cover ~80% of R&D costs and provide significant operating leverage due to royalty revenues as volumes rise
- **Revenue levers**: Increased penetration of 12" wafers and growth of eNVM applications
- **Structural growth**: eMemory is a funnel for peripheral ICs within semiconductor applications

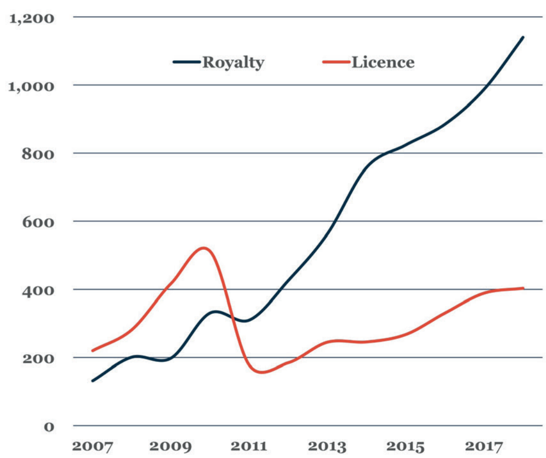
Key Engagement Topics

Engagement will focus on incentives, operations and communication – including sell side coverage.

eMemory (Taiwan) – market cap= $ 880m

3-year share price chart (USD)

Revenue split: royalty vs. licence



Source: Bloomberg/Company Data

Yum China

Yum China owns and operates more than 8,400 restaurants in over 1,200 cities across China. Management aim to grow this to 10,000 units by 2021. The company runs several popular quick service restaurant chains that include Pizza Hut, KFC, Taco Bell and Little Sheep. The company has more than 180m loyalty members for KFC and Pizza Hut combined, which offers a strong platform for growth.

Why we invested?

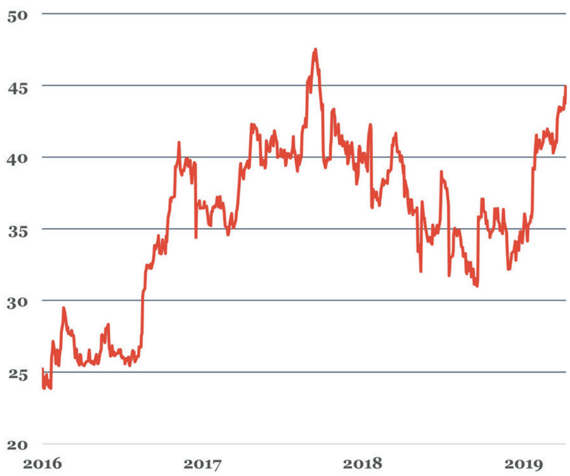
- **Strong strategic positioning**: Favourable industry dynamics with growth driven by high return unit store expansion
- **Multiple levers for improved cash generation**: Self-help driven by strong execution on food delivery and digital investment
- **Formidable cash generation**: Driven by digital investment, smaller store sizes, incremental franchising and improved unit maturity

Key Engagement Topics

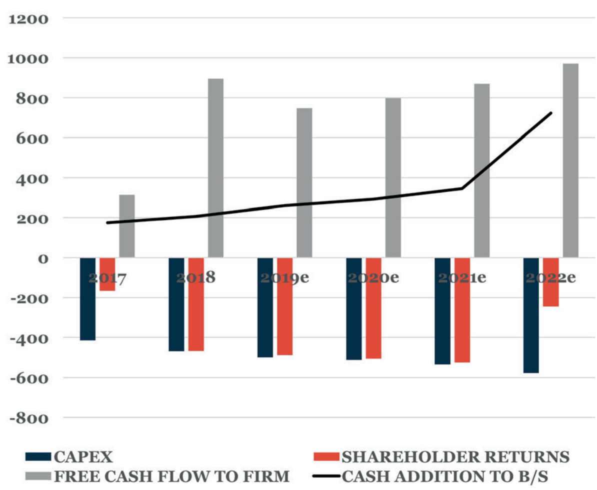
Engagement will focus on balance sheet optimisation; shareholder returns through increased buyback programme and franchising opportunities.

Yum China (China) – market cap= $ 16.7bn

Share price chart since the IPO (USD)



Free cash flow generation profile



Source: Bloomberg/Company Data and own estimates

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Mail.Ru

Mail.Ru is a Russian internet media company operating across the CIS. Mail.Ru owns social media (VKontakte, OK, My World), gaming, ecommerce, and search assets. With ~170m monthly active users, social media contributes >80% to profit and is the fastest growing segment.

Why we invested?

- **Industry growth**: Digital advertising spend continues to grow at a double-digit rate in Russia, with penetration still below western markets. Social media presents a more powerful marketing opportunity which we expect to over-take contextual (search) advertising
- **Dominant social network**: Mail.Ru enjoys several competitive advantages in a fast-growing industry in Russia. VK – the profit centre and unique asset in the group – is growing EBITDA >50% per annum with >50% margins

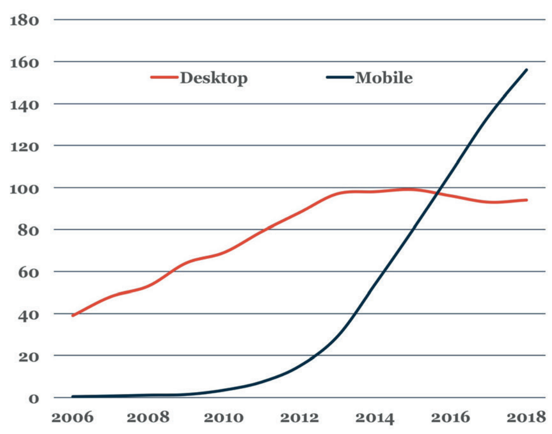
Key Engagement Topics

Engagement will focus on efforts to monetise non-core assets; increase capital returns and simplify ownership structures.

Mail.Ru (Russia) – market cap= $ 5.3bn

3-year share price chart (USD)

Global digital advertising: all growth from mobile



Source: Bloomberg/ZenithOptimedia, eMarketeer, IAB, Mail.Ru Group, Bloomberg

Mavi

Mavi Giyim Sanayi Ve Ticaret is an apparel retailer in Turkey focused on denim products (25% market share in jeans). The company generates ~80% of sales from Turkey with over 300 stores. The largest shareholder is the Akarlilar family who control 27.4%.

Why we invested:

- **Strong brand**: Mavi is a unique brand focused on young, fashion-savvy customers, which translates into strong pricing power
- **Growth**: Plenty of room for further expansion both in Turkey and internationally
- **Valuation**: Significant (40-50%) valuation discount to relevant peers from both emerging and developed markets

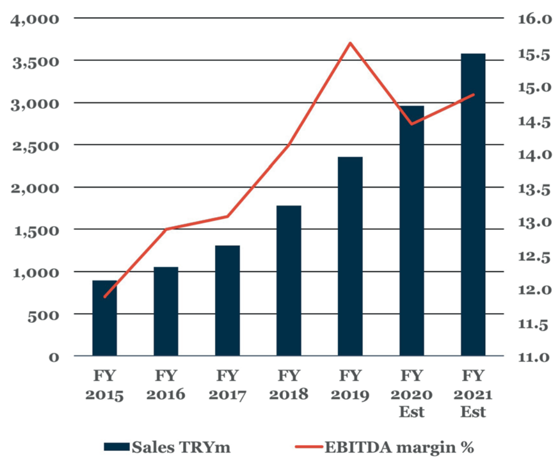
Key engagement topics:

Engagement will focus on greater transparency around related party transactions, management team incentivisation, board structure and improved reporting.

Mavi (Turkey) – market cap= $ 320m

Share price chart since the IPO (USD)

Financial performance:

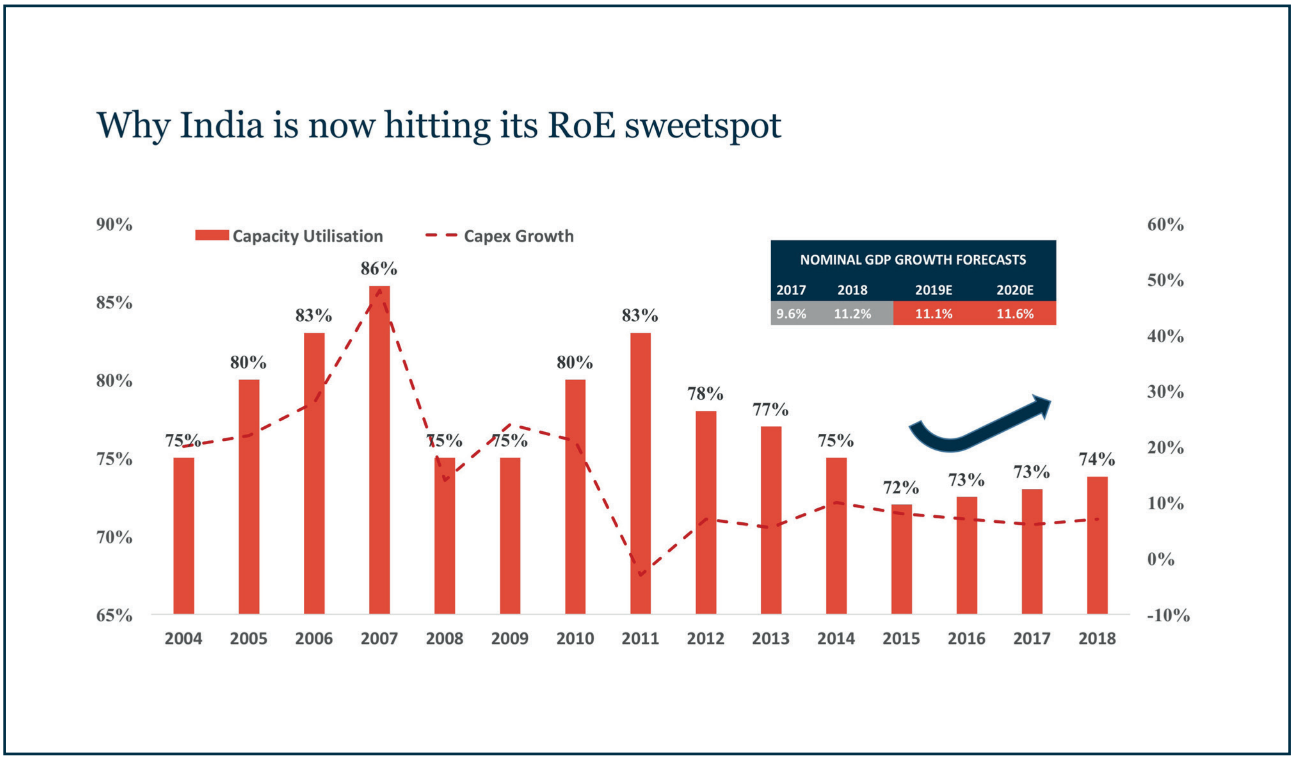


Source: Bloomberg

Country Focus- India

The 2014 Indian election is seen by many as a significant milestone in the country's history. India had previously been bloated by twin deficits, hamstrung by low foreign exchange reserves and self-doubting after years of policy paralysis. Following electoral victory, Modi's government used various steps and measures to transform productive capacity and institutionalise change. A few examples of how this was achieved include introducing a sturdier Bankruptcy Law, a well-functioning Goods and Services Tax, a flexible inflation targeting regime and success in financially including more than 300 million Indians through the country's unique biometric identification system. GDP growth has accelerated from 4.9% in the second quarter of 2012 to 8.2% in the equivalent quarter last year.

It would be trite to argue that everything has been rosy. Indian equity markets struggled through the third quarter of 2018 due to the unhappy combination of higher US rates, a stronger US dollar, resurgent crude oil prices and a domestic liquidity scare that threatened to snowball into a solvency crisis. Meanwhile rumours of a rift between the government and central bank excited the local press. Foreign investors reduced exposure and India's historical valuation premium to global markets began to recede below its long-term average of 20%.



Source: Bloomberg

Whilst the bears continue to dominate the narrative, an attractive entry point has emerged for the long-term investor. Credit growth has accelerated to a five-year high whilst inflation continues to remain benign below 4%. The policy response to the liquidity crunch has been swift and coordinated whilst domestic equity flow**s** (which increasingly matters more than foreign flow) have been resilient. Price to book multiples are now below their long-term averages of 2.5x.

Despite this, earnings growth estimates are amongst the highest across the emerging world with more than 20% and 18% expected for 2018 / 2019 respectively.

This growth is driven by India's position on its own capital cycle: the combination of excess capacity, improving demand and continued balance sheet capital discipline lay the foundation for operating leverage and rising return on invested capital. Indeed, it is India's bottom up, micro story, that will now be the engine for strong equity market performance.

Mark Mobius, Carlos Hardenberg and Greg Konieczny

Founding Partners
Mobius Capital Partners

Footnotes:

1. MSCI and Bloomberg
2. Bloomberg
3. Citi GEMs Strategy- EM: Ignoring Cash Flow Revolution Is Risky
4. Bloomberg- MSCI Mid and Small Cap up 4.7% and 5.5% respectively

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