

# **PACIFIC NORTH OF SOUTH** **EM EQUITY INCOME OPPORTUNITIES**

**NGF BOUTIQUES**

**FOR PROFESSIONAL INVESTORS ONLY**

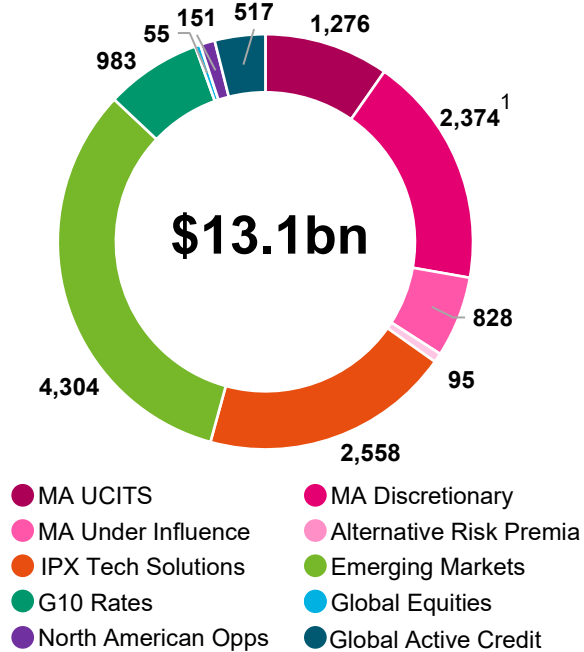
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# Pacific Asset Management (PAM)

Modern, highly diversified, technology driven asset manager



Assets Under Management,  
& Assets Under Influence (\$m)



## 1. TECHNOLOGY ENABLED ADVISER SOLUTIONS

**AUM & AUI: \$7.1 billion**

Tech Enabled Multi-Asset Adviser Solutions & ESG Principled Investment



### MULTI-ASSET FUNDS

Modern, blended unitised multi-asset strategies, including sustainable offering.



### ADVISER SOLUTIONS

Software enabled, model-portfolio-as-a-service solutions.



### ALTERNATIVE RISK PREMIA

Systematic non-directional factor investing: Isolating diversifying Risk Premia.



### IPX TECH SOLUTIONS

Tech-enabled administration

RETAIL / INSTITUTIONAL CLIENTS

## 2. SINGLE MANAGER SOLUTIONS

**AUM: \$6.0 billion**

Craft-based High Conviction Active Management



### EMERGING MARKET EQUITY

Pacific North of South Global EM Equity Strategy.  
 Pacific North of South EM All Cap Equity Strategy.  
 Pacific North of South EM Income Opportunities Strategy.



### GLOBAL EQUITY

Global equity trend capabilities focusing on sectors such as longevity, e-commerce, and luxury goods.



### US EQUITY

Pacific North American Opportunities Strategy.



### LIQUID ALTERNATIVES

G10 Macro Rates Strategy.



### GLOBAL CREDIT

Pacific Coolabah Global Active Credit Strategy.

INSTITUTIONAL / WHOLESALE CLIENTS



1. Includes \$905 million invested within PAM MA UCITS as part of model portfolios which is excluded from total figure of \$13.1bn.

Source: Pacific Asset Management as at 31 March 2025.

# Pacific North of South EM Equity Strategies

	Pacific NoS Global EM	Pacific North of South EM All Cap	Pacific North of South EM Income
Target Return	Benchmark + 3%	Benchmark + 3-5%	Total shareholder return Positive real yield
Benchmark (MSCI EM)	Aware	Aware	Agnostic
Positions	30-45	70-100	55-75
Constraints	Country: <10% from benchmark	Country: <10% from benchmark	Country: 20% max
	Sector: <10% from benchmark	Sector: <10% from benchmark	Sector: 25% max
	Position size: Positive active weight	Position size: Positive active weight	Position size: 3% soft, 4% hard

# North of South Capital Team

Emerging markets value investments specialists founded in 2004



**Core Investment Team unchanged since 2009 – Extensive EM equity experience through multiple decades and market cycles**



## **ROBERT HOLMES, CAIA**

PARTNER AND PORTFOLIO MANAGER

- Over twenty years' experience in Emerging Market equities on buy and sell side.
- Provides quantitative and qualitative company analysis and manages the Income Fund.



## **MATT LINSEY**

COMPANY FOUNDER, MANAGING PARTNER AND PORTFOLIO MANAGER

- Responsible for stock selection, asset allocation, and the development of investment themes.



## **KAMIL DIMMICH, CFA**

PARTNER AND PORTFOLIO MANAGER

- Responsible for stock selection, asset allocation and portfolio construction.
- Conducts company research, risk analysis, portfolio attribution.



## **MARK LATHAM**

PARTNER AND STRATEGIST/  
NATURAL RESOURCE ANALYST

- Uses specialist knowledge to identify shifts in global economic trends.
- Recommends stocks in natural resources sector.



## **NICK PAGE**

PARTNER AND HEAD OF RESEARCH

- Over twenty years' investment experience.
- Previously at Fiera Capital where he was responsible for Emerging Market coverage of Global Energy and Global Materials sectors.



## **TONY TSAI**

PARTNER AND SENIOR ANALYST

- Fifteen years' experience working in technology companies, ten years in Taiwanese stock market, fluent Chinese speaker.
- Covers technology and Asian stocks.



## **CONRAD LEE**

SENIOR ANALYST

- Joined in 2024.
- Began his career working in high yield and leveraged finance for firms including Dresdner Kleinwort, RBS and Stifel KBW.



## **ARIADNE BADEN-POWELL**

SENIOR ANALYST

- Joined in 2024.
- Worked at EM equity specialist Somerset Capital Management prior to joining North of South, with a particular focus on EM Financials.

# 1

EM EQUITY INCOME OPPORTUNITIES

# INVESTMENT PHILOSOPHY

- Value investing outperforms other styles over time
- Investments need to be valued in the context of local risk free
- Compounding equities provide better protection in an inflationary environment

# Our Three Core Investment Principles

The key to successful value investing is understanding valuations

## **1** **VALUE INVESTING OUTPERFORMS OTHER STYLES OVER TIME**

By buying equities whose income streams are priced below those of the market and of its peers, we expect to receive more income over time.

## **2** **VALUE NEEDS TO BE SEEN IN THE CONTEXT OF DOMESTIC RISK FREE RATE**

Equities need to be attractive relative to their domestic fixed income markets to perform over the long-term.

## **3** **VALUE NEEDS TO BE ASSESSED RELATIVE TO THE RISKINESS OF THE STOCK**

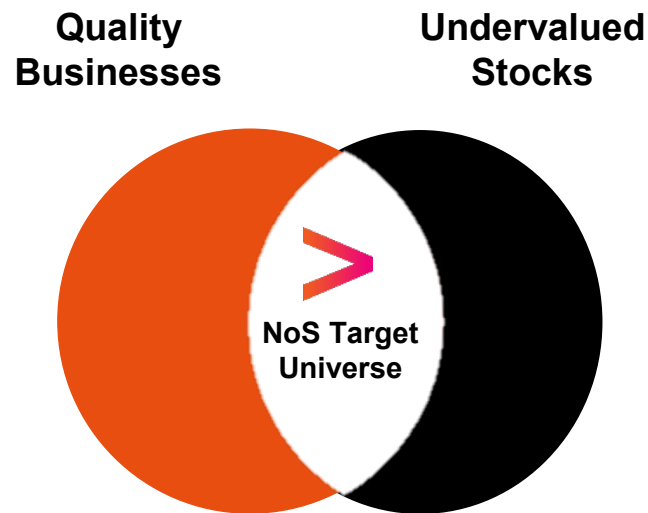
Establishing a consistent methodology for the equity risk premium is essential in this process. **Higher** quality companies should enjoy a **lower** risk premium.

# Research Process: What are we looking for?

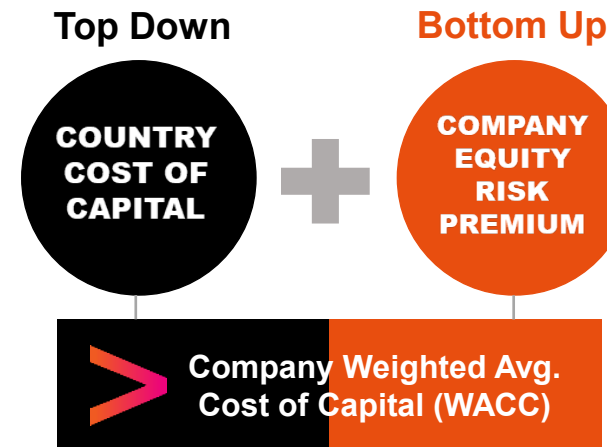
Simple but not easy: Finding **quality businesses** that are **undervalued**

We aim to find quality, undervalued stocks by adopting a two-stage research process:

1. Fundamental, bottom-up research to identify businesses that generate **predictable and growing cash flows**.
2. Valuing these cash flows using our ***Proprietary Cost of Capital Framework*** to determine which stocks offer attractive upside potential.

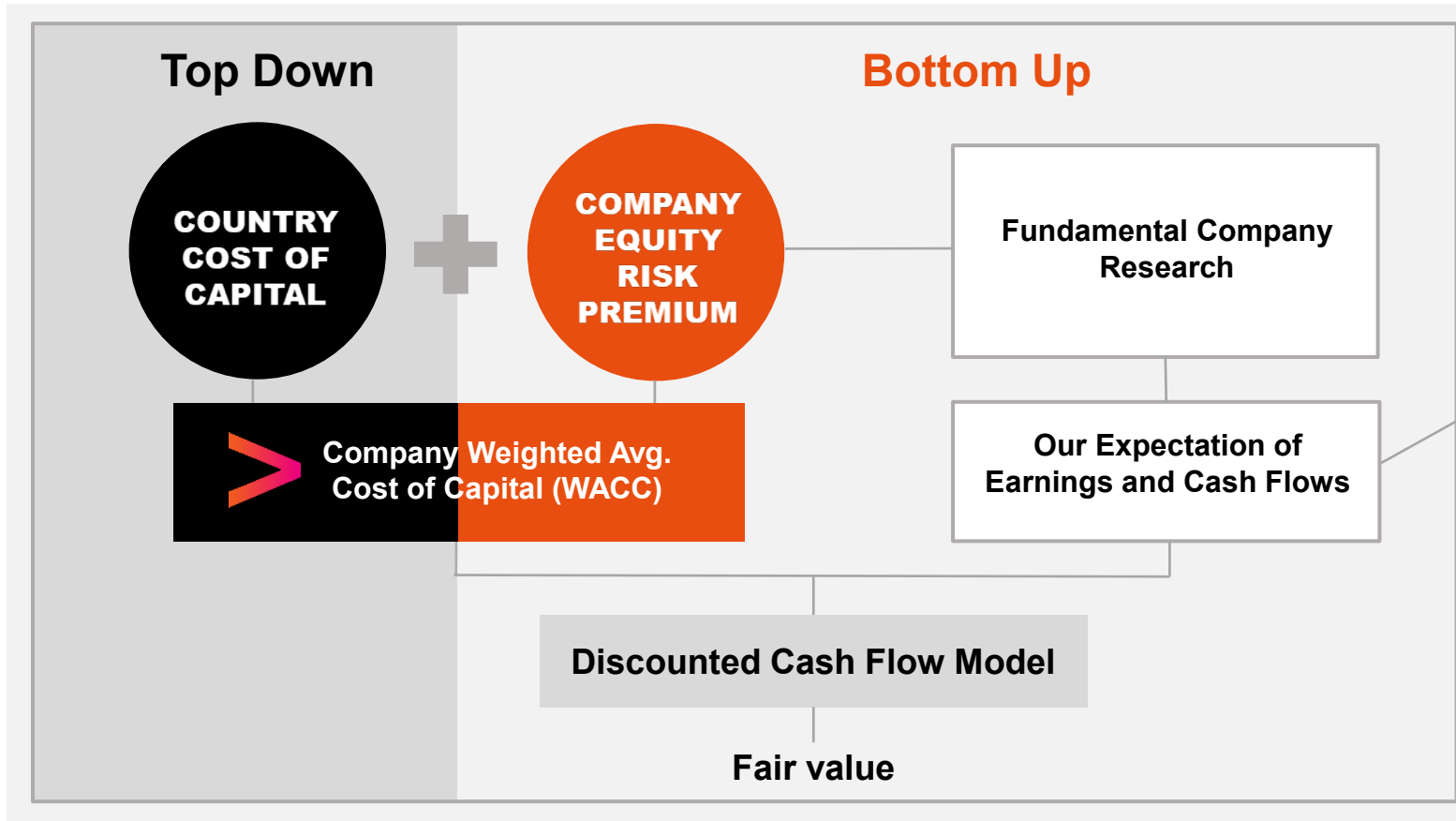


## ***NoS Proprietary Cost of Capital Framework***



# Research Process: **Top Down** + **Bottom Up**

Company earnings potential discounted using our **Proprietary Cost of Capital Valuation Methodology**



Predictability is key. **We only ever forecast growth 3 years out.** Thereafter we assume growth converges to a terminal real growth rate of zero in year 10.



# Bottom Up – Fundamental Research and the *Equity Risk Premium*

Consistent methodology for the *Equity Risk Premium* is essential in our process

Bottom-up research feeds our *Proprietary Equity Risk Premium Model*

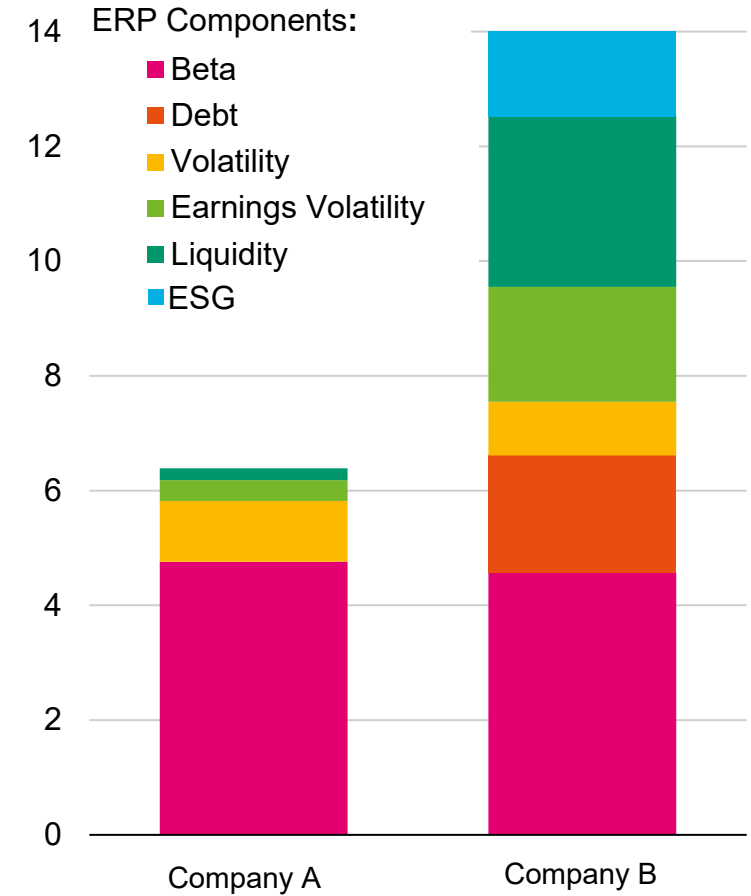
## Company Meetings

- Meet 300+ companies p.a.
- Key assessment criteria:
  - Management quality / Corp. governance
  - Competitive landscape
  - History of strong capital allocation
  - ESG Factors
  - Alignment with minority shareholders

## Quantitative Research

- Liquidity and volatility
- Balance sheet leverage
- Historical earnings
- Growth and margin prospects
- Return on investment / IRR

## Different Composition of Equity Risk Premia



# Top Down – Country Cost of Capital

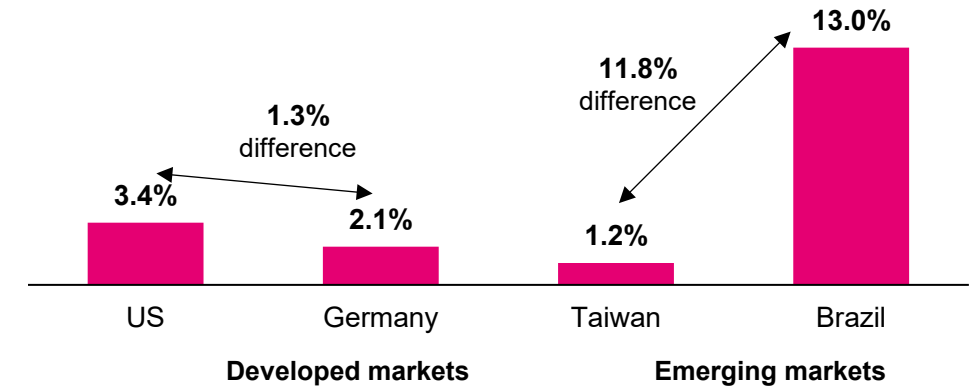
Central to our investment decisions – Why is Country Cost of Capital so important?

## Cross-border comparison of stocks

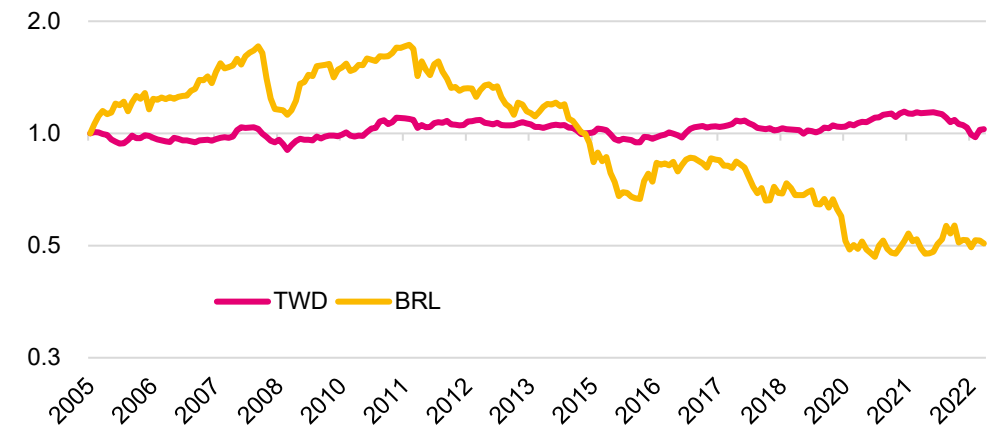
- Equities need to be attractive relative to their domestic fixed income markets to perform over the long-term
  - Unlike in developed markets, bond yields can vary significantly in EM
  - To enable comparison, we want to benchmark stocks to USD, not their local currency.
- High yields in the fixed income market typically imply long term currency losses.
- Long-term equity investors need to take the currency risk into account

Source: Bloomberg as at 20 October 2017 and January 2023.

## Developed vs. EM 10-year bond yields



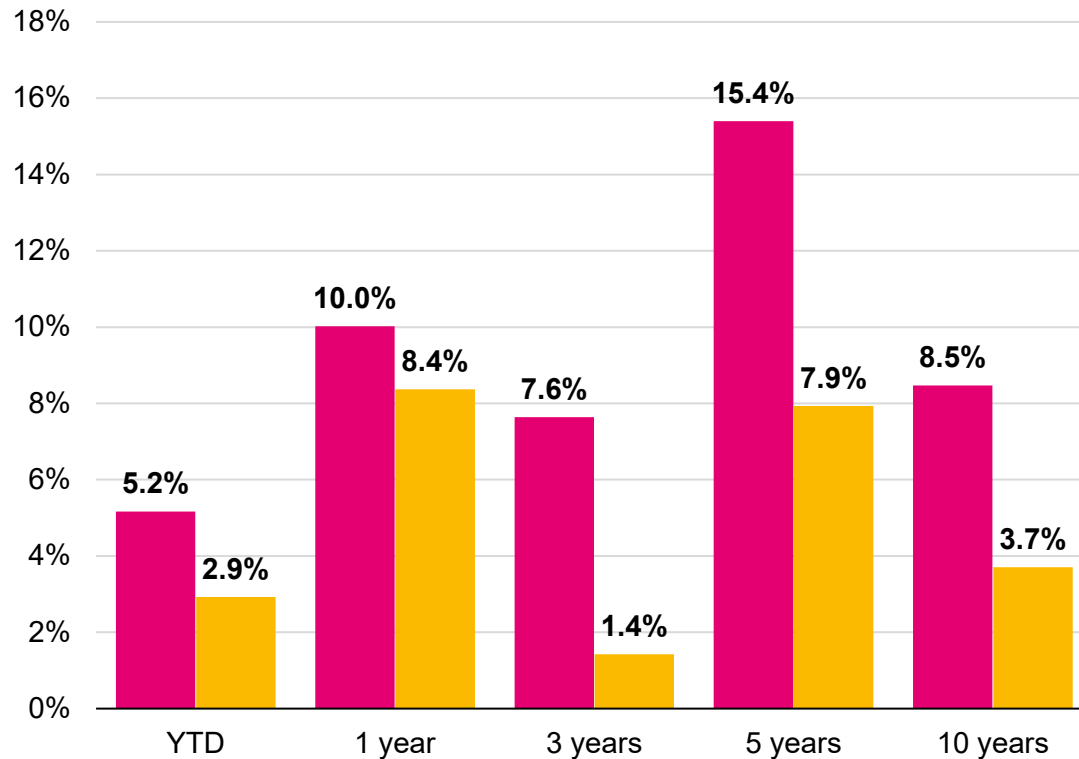
## No Free Lunch: High yields eroded by depreciation



# Long-term long only track record

North of South EM All Cap Equity Strategy – USD Net

Annualised performance from 31 Jul 2011 to 31 Mar 2025



● North of South EM Equity Strategy – Net – USD

● MSCI Emerging Markets Index in USD

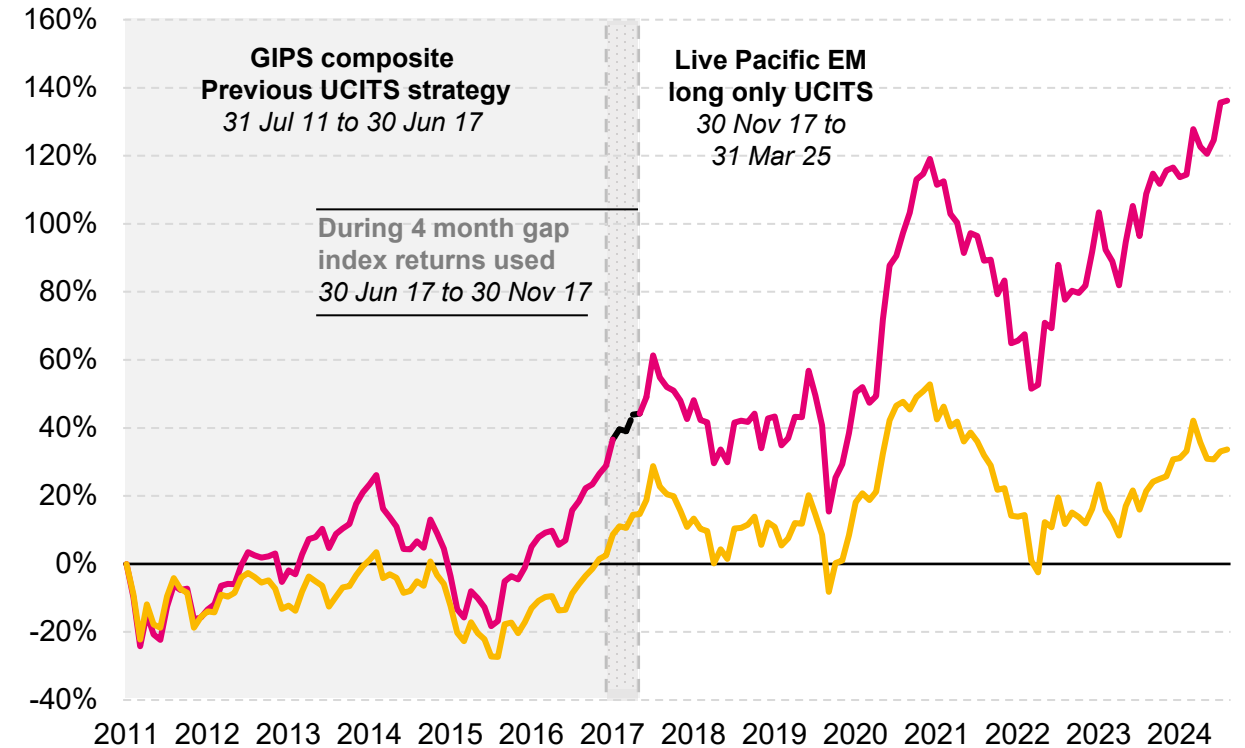
Returns may increase or decrease as a result of currency fluctuations.

Past performance is not indicative of future performance and is not guaranteed. Performance is shown net of fees (AMC of 75bps), excludes commissions and other charges that may apply.

During 30 Jun 17 to 30 Nov 17 index returns have been used for the North of South Strategy.

Source: North of South Capital, Pacific Asset Management and Bloomberg

Performance from 31 Jul 2011 to 31 Mar 2025



# **2** EM EQUITY INCOME OPPORTUNITIES **OVERVIEW**

- Original objectives
- Portfolio facts and performance

# Pacific NoS EM Equity Income Opportunities

## Key points

### Context

- Geopolitical uncertainty
- Elevated inflation and negative risk-free yields
- Uninspiring EM index returns

### Objectives

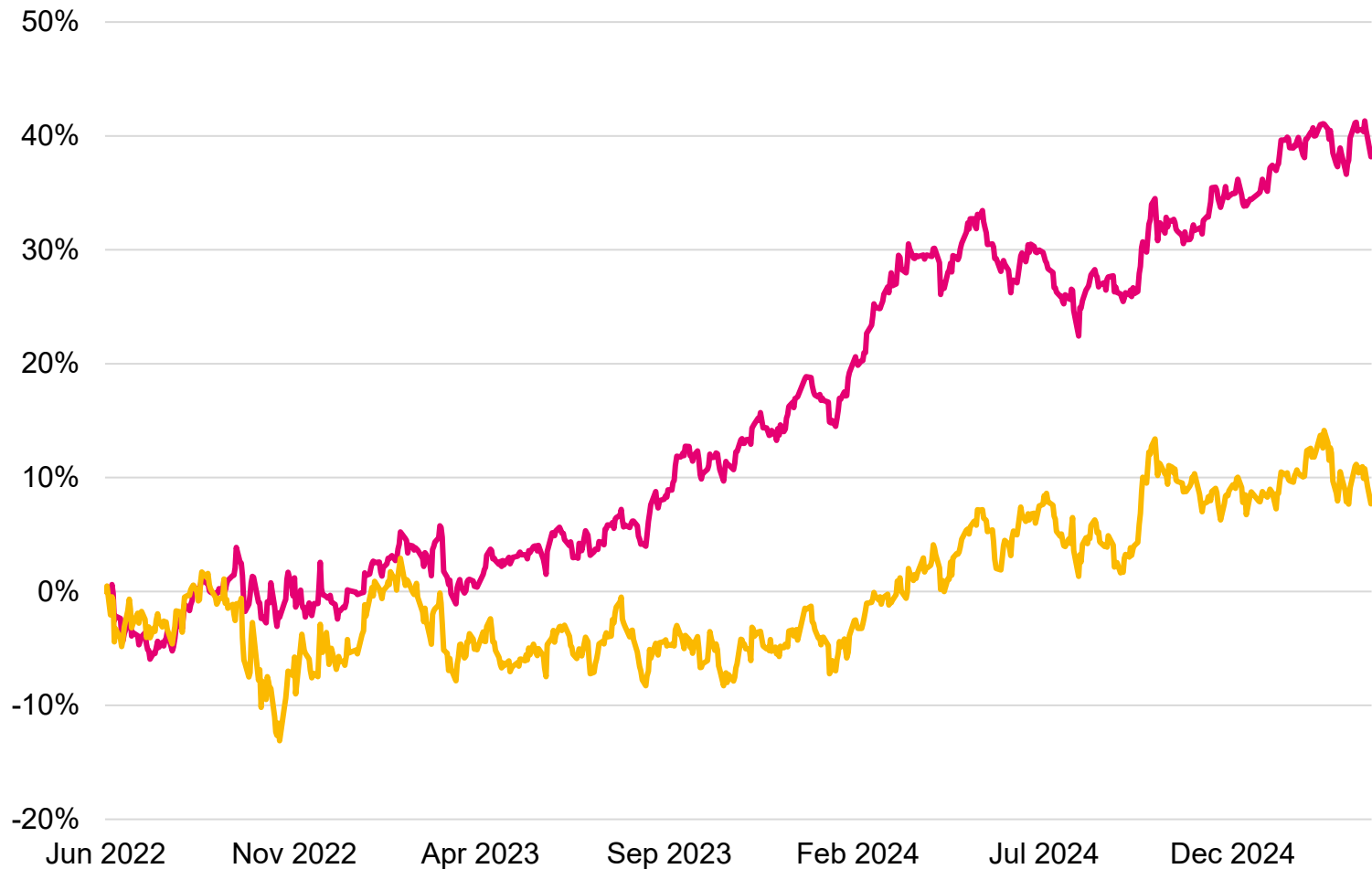
- Total shareholder returns
- Real yields from quality compounding equities
- Benchmark agnostic

### Rationale

- Under appreciated sea-changes in EM equities
- Alignment with NoS process
- Team experience and skillset

# Pacific North of South EM Income Opportunities – Track Record

Relative net total return to MSCI Emerging Markets Index

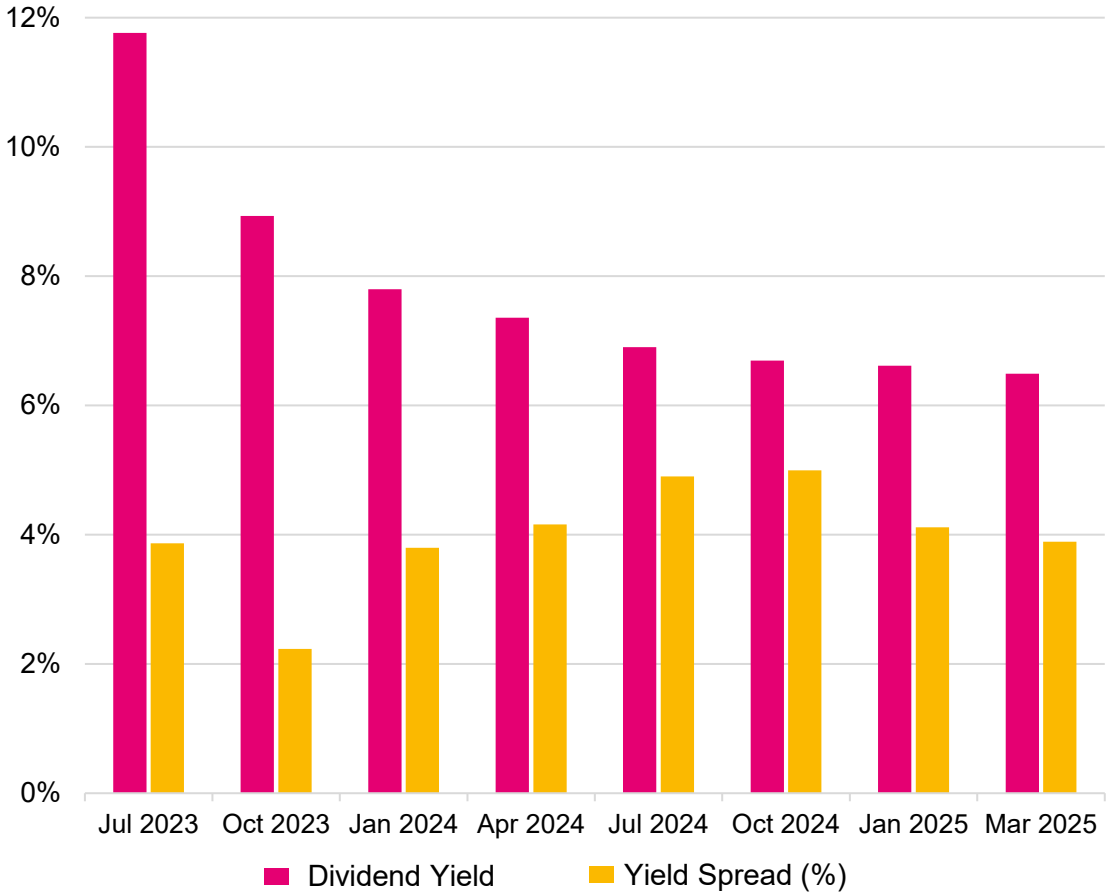


Pacific North of South EM Equity Income Opportunities GBP PNIGIDQ ID Equity			
Benchmark		MSCI Emerging Net Total Return	
LAST 3 MONTHS		start: 24-12-24 end: 28-03-25	
Fund Return	4.05%	Benchmark Return	0.50%
Fund Volatility	8.24%	Benchmark Volatility	11.96%
Correlation	0.77	Beta	0.53
LAST 1 YEAR		start: 28-03-24 end: 28-03-25	
Return	8.10%	Benchmark Return	7.60%
Fund Volatility	9.13%	Benchmark Volatility	13.14%
Correlation	0.76	Beta	0.52
Sharpe Ratio	0.36	Information Ratio	0.00
SINCE INCEPTION		start: 09-06-22 end: 28-03-25	
Fund Return	39.89%	Benchmark Return	9.29%
Fund Volatility	10.57%	Benchmark Volatility	15.18%
Correlation	0.74	Beta	0.52
Sharpe Ratio	0.80	Information Ratio	0.99

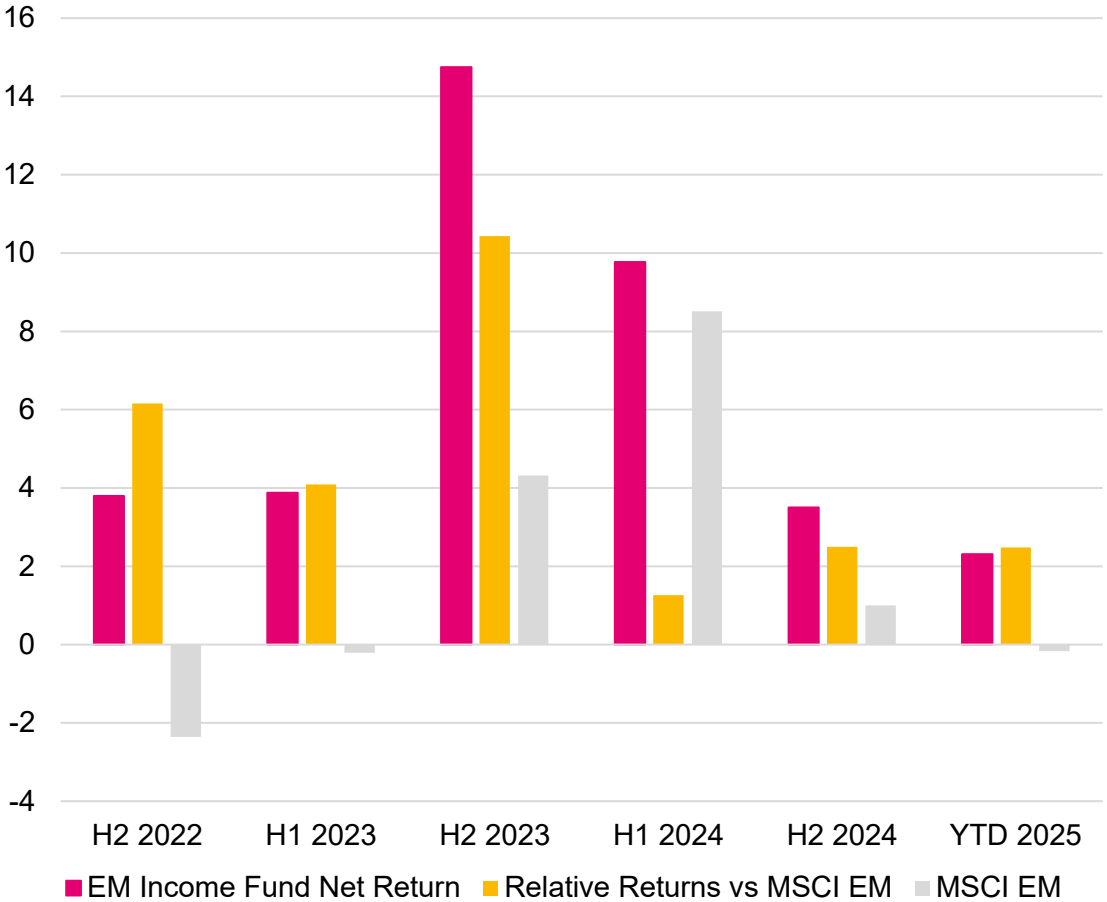
# Key Investment Objectives

Real Yield and Total Shareholder Return

Quarterly Distribution Yield vs UK CPI



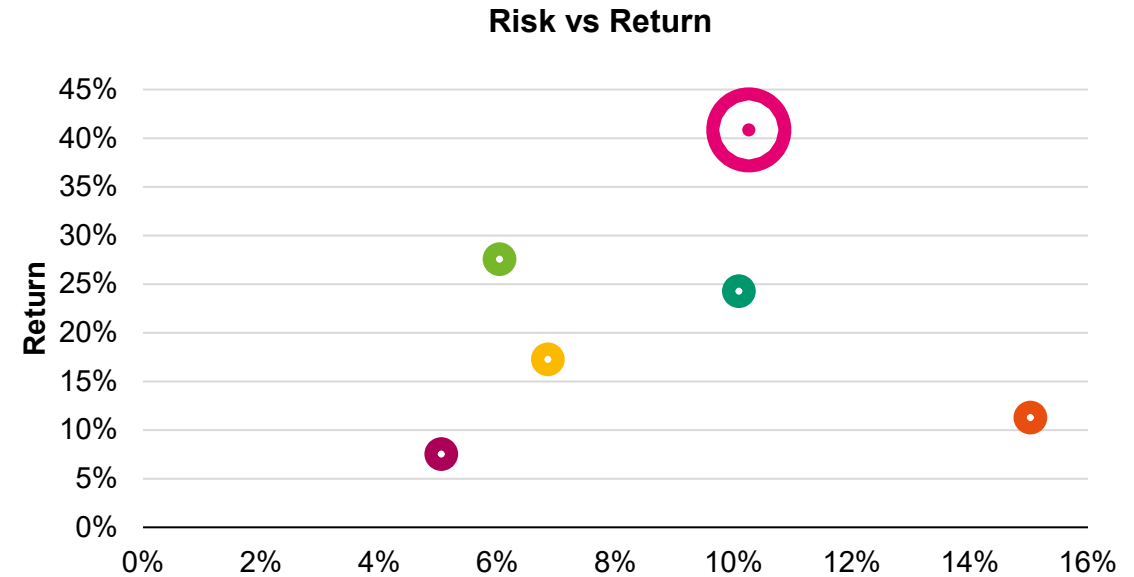
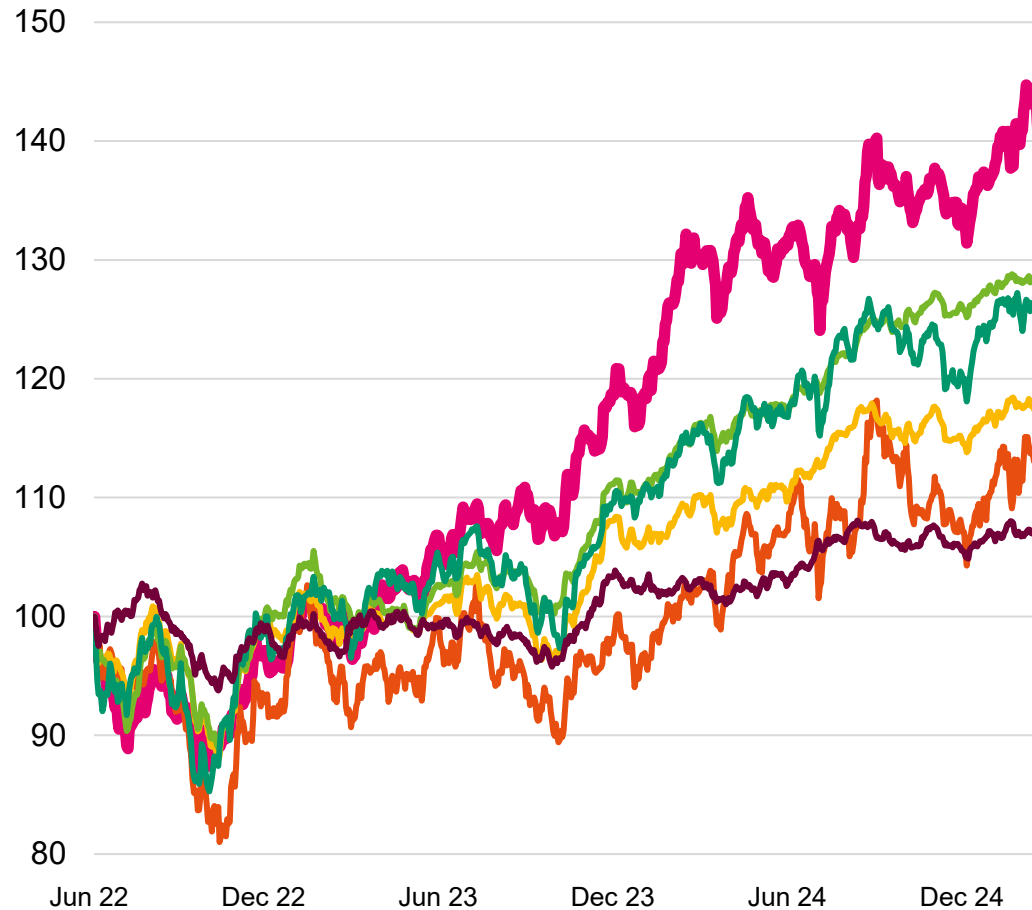
Total Returns vs MSCI EM Equity Index



Source: Pacific Asset Management and Bloomberg as at March 2025

# Returns relative to alternative asset classes

Since Fund Inception



Name	Return %	STD	Rtn/Risk
Pacific North of Sth EM Eq Inc Opps I USD Dist	40.82%	10.26%	3.98
Emerging Markets ETF*	11.27%	15.03%	0.75
USD Em Markets Bond ETF**	17.25%	6.86%	2.51
EM High Yield Bond ETF**	27.52%	6.04%	4.55
EAA Fund Global Equity Income	24.26%	10.09%	2.40
Global Bond Index ***	7.51%	5.06%	1.49

Source: Bloomberg as at March 2025

\* Benchmark used for comparison = iShares MSCI Emerging Markets ETF  
 \*\* Benchmark used for comparison = iShares JP Morgan EM Bond and EM HY ETFs  
 \*\*\* Benchmark used for comparison = Vanguard Global Bond Index



# **3** EM EQUITY INCOME OPPORTUNITIES **PORTFOLIO CONSTRUCTION**

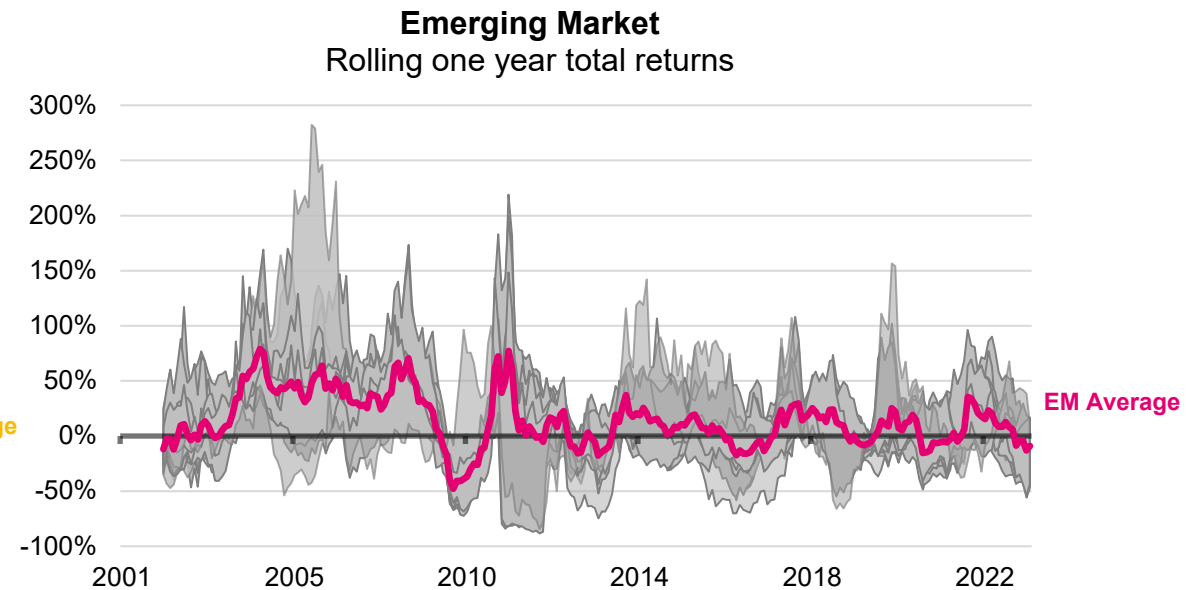
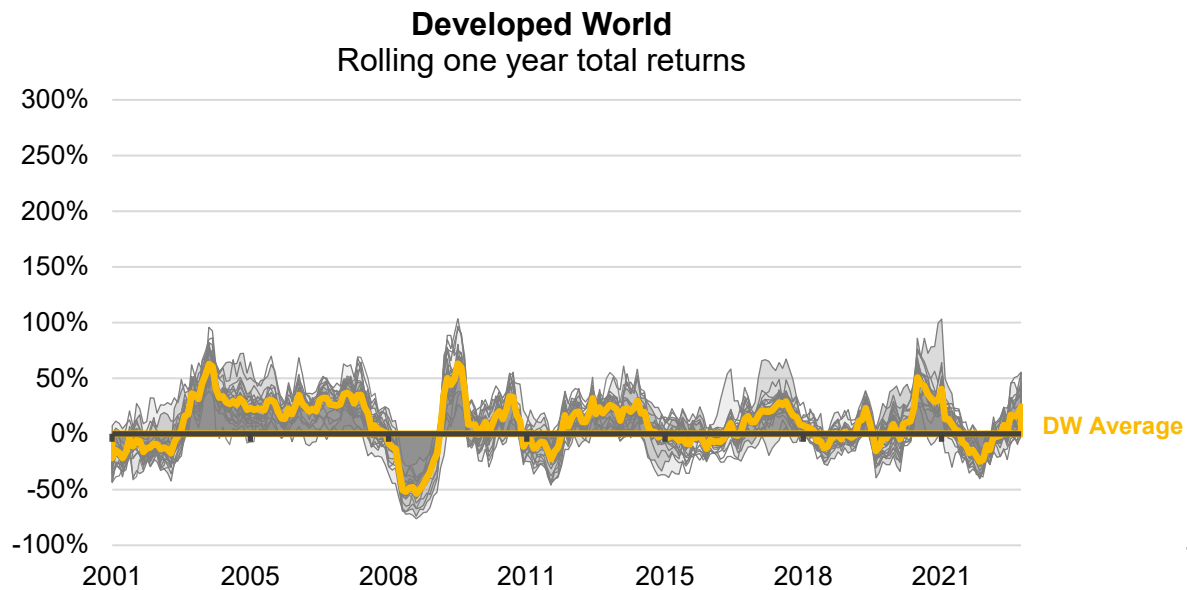
- Diversification not Di-worsification
- Structure and constraints
- Portfolio analysis and characteristics

# Greater scope for active managers to perform

## Diversification vs Di-worsification

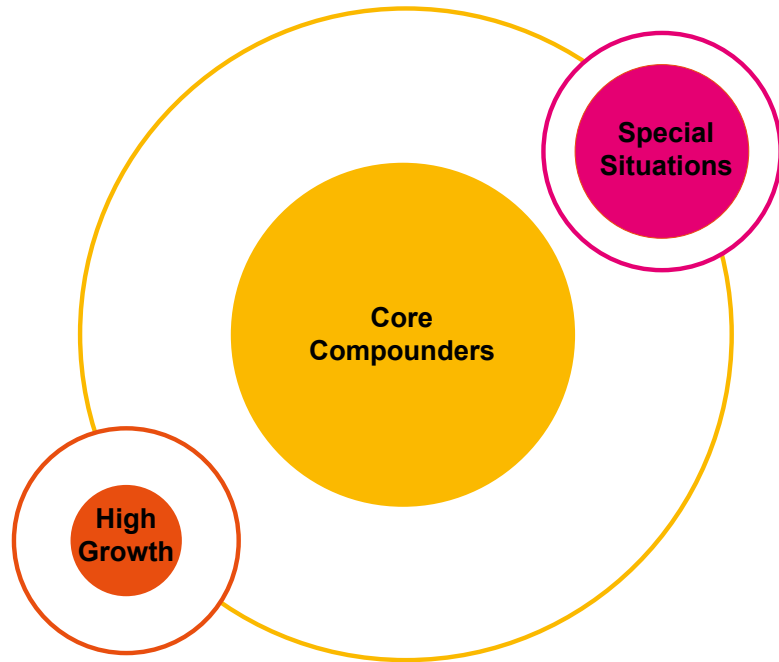
- Dispersion of returns in the top 20 countries of each region
- The volatility of the EM average is lower providing effective diversification

Volatility of Average Returns		
	DW	EM
1yr	16.9%	13.3%
5yr	19.0%	16.7%
10yr	15.6%	15.3%



# Portfolio construction

Allocation driven by bottom-up opportunity



## Core principles:

- Allocation process driven by bottom-up opportunities - yield spreads vs local bond markets
- Country weighting naturally tilts towards lower risk regions
- Focused stock selection of 55-75 positions
- Positions are profiled within three expected return silos

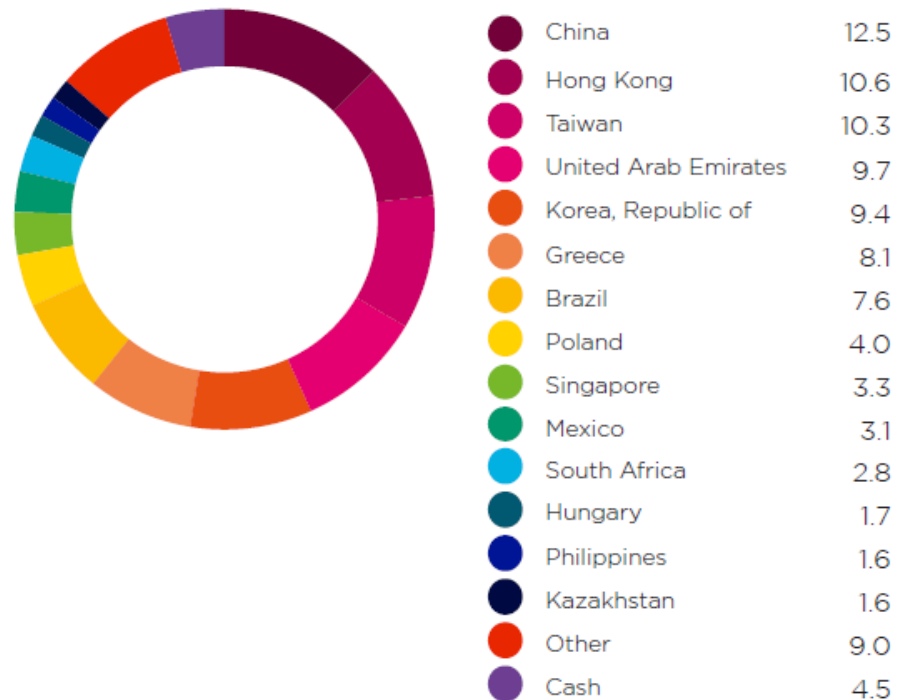
## Portfolio constraints:

- Limits - (GICS Level 1) Sector: 25%, Country of Risk: 20%
- Issuer - Soft limit 3%, Hard limit 4%
- Liquidity - At target AuM of US\$500m 80% of portfolio to be liquidated within 5 days at 30% participation

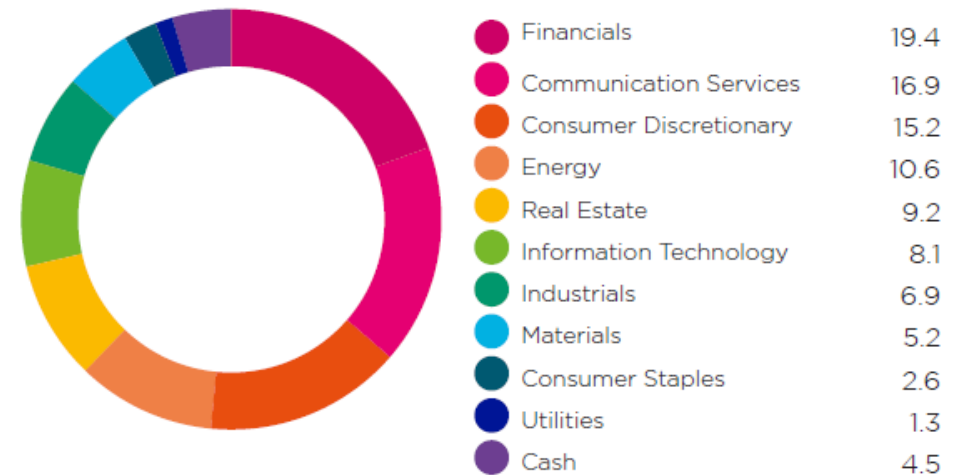
# Pacific NoS EM Equity Income Opportunities

## Sector and Country Weightings Analysis

**Fund geographical weightings (%)**



**Fund industry weightings (%)**



# Pacific NoS Income Opportunities

All data as at 31 Mar 2025

## Strategy characteristics

Total no. securities held	79
Top ten position concentration	26.2%

## Top 10 holdings

Name	Geographic	Industry	% of NAV
Kt Corp-sp	Korea, Republic of	Communication Services	2.8
Hkt Trust And Hkt	China	Communication Services	2.7
Jd.com	Hong Kong	Consumer Discretionary	2.6
Emaar Properties Pjsc	United Arab Emirates	Real Estate	2.4
Emirates Integrated Telecomm	United Arab Emirates	Communication Services	2.3
MediaTek	Taiwan	Information Technology	2.3
Petroleo Brasileiro	Brazil	Energy	2.2
Opap Sa	Greece	Consumer Discretionary	2.1
Sk Telecom	Korea, Republic of	Communication Services	2.1
Simplo Technology Co	Taiwan	Information Technology	2.0

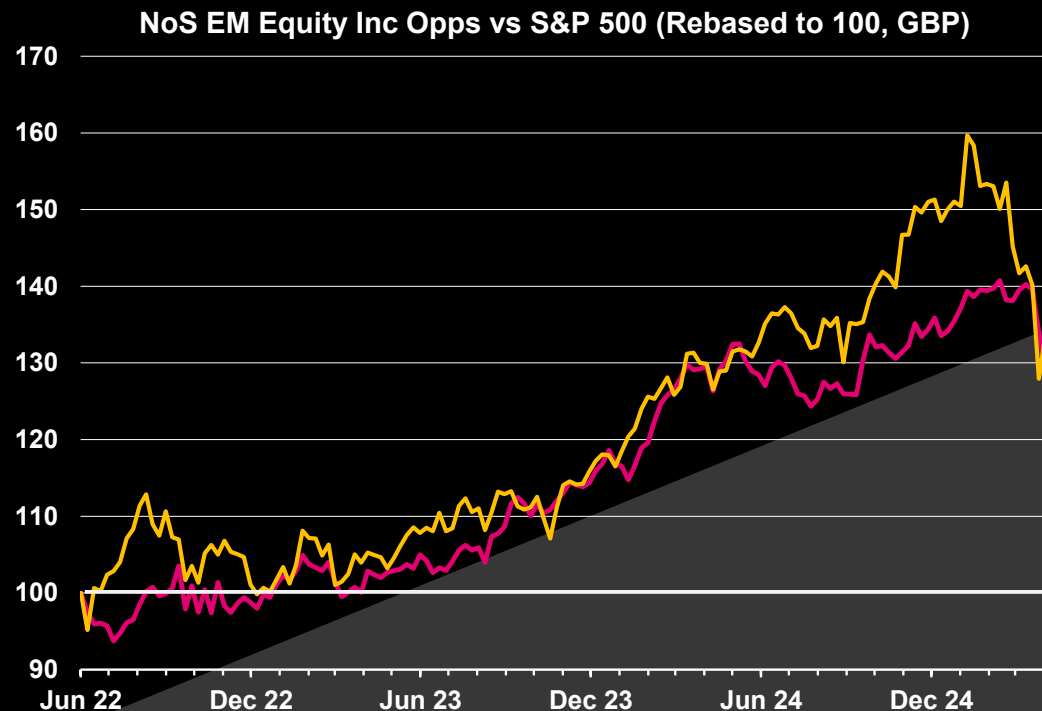
# Portfolio characteristics

Attractive valuation and yield comparison to emerging market index

	Fund	MSCI EM
12 Month Estimated P/E	8.2	12.0
12 Month Estimated Dividend Yield Gross	7.1%	3.0%
Return on Equity	21.4%	11.6%
3 Year DPS Growth	12.7%	17.1%
Dividend Coverage (x)	1.6	2.5
Median Market Cap (\$bn)	5.7	9.2
Weighted Average Market Cap (\$bn)	23.6	176

# SUMMARY

- Attractive risk adjusted investment returns in Emerging Markets
- EM macro risk trading places with developed markets
- Transformation from a homogenous > heterogeneous investment destination
- Stronger alignment and capital allocation discipline > un-locking value and shareholder remuneration
- A highly experienced team focused on real yields & total shareholder return



# **ADDITIONAL INFORMATION**

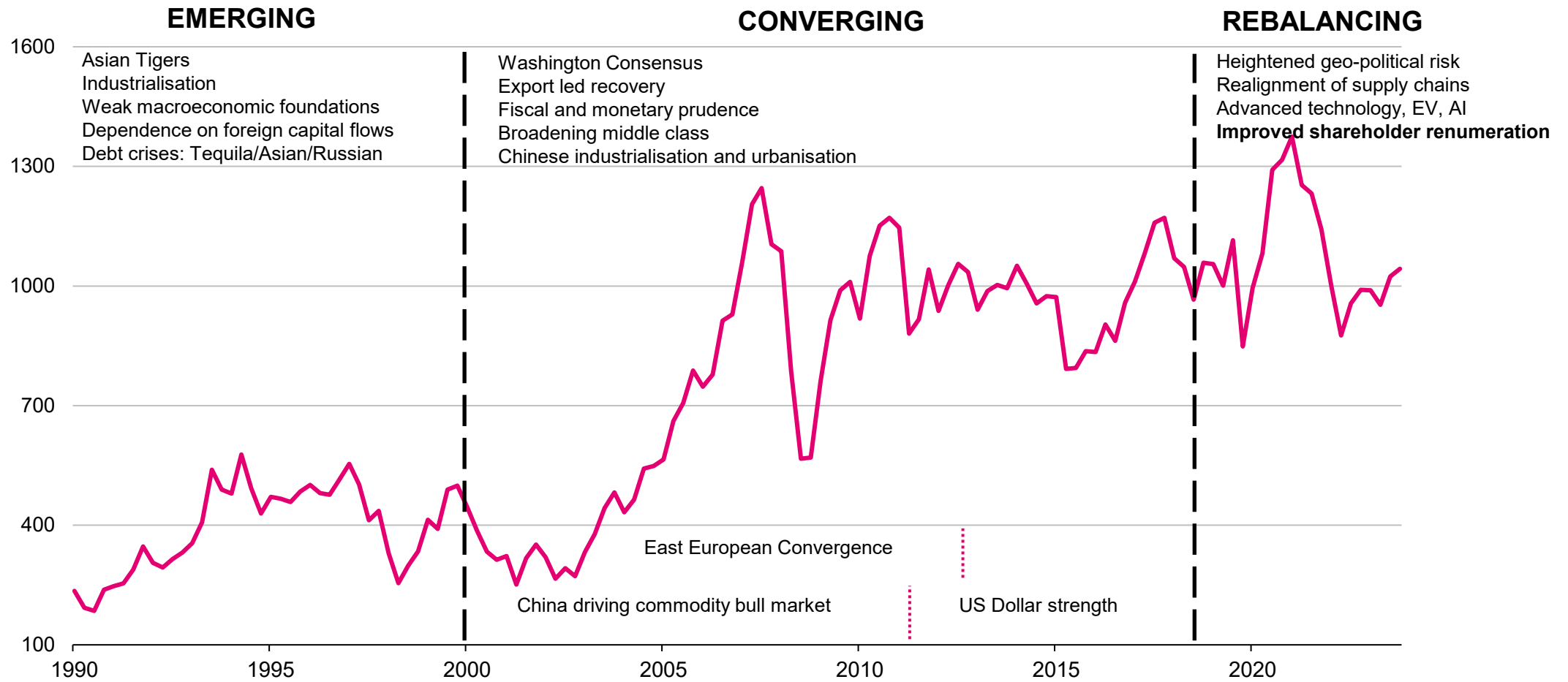


# **4** **KEY INVESTMENT OBSERVATION:** **THIS TIME IT'S DIFFERENT**

- Improved macroeconomic stewardship
- Corporate capital allocation discipline & stronger alignment with minorities
- Significantly enhanced shareholder remuneration

# Emerging markets are entering a third evolutionary phase

Moving from a homogeneous to a heterogeneous asset class



# Key investment observations

Aiming to provide investors with a real income

## 1 **BROADENING UNIVERSE OF HIGHER YIELD EM OPPORTUNITIES**

- Improved capital allocation discipline
- De-levered balance sheets
- Stronger alignment with minorities

Growth of shareholder remuneration driven by stronger local institutions, better regulation and C-Suite alignment

## 2 **GLOBAL MACRO SEA-CHANGE TOWARDS HIGHER INFLATION**

- Global supply chain re-alignment
- Geopolitical tensions
- Energy security and transition

In an inflationary environment compounding equities offer better protection than fixed coupon bonds

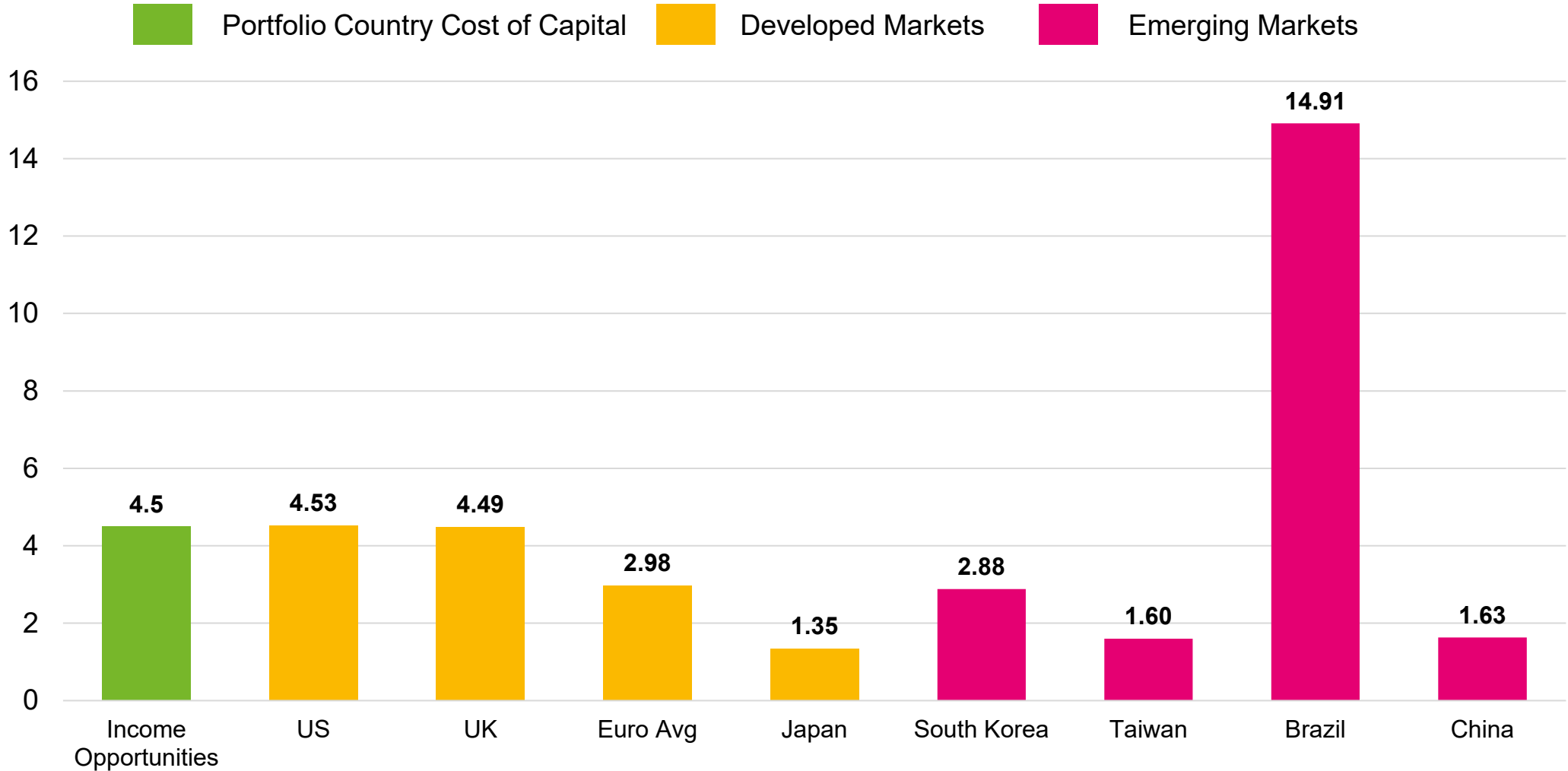
## 3 **EM vs DM TRADING PLACES IN ECONOMIC STEWARDSHIP**

- Orthodox vs Modern Monetary Policy
- Tighter fiscal discipline
- Lower sovereign debt burden

A benchmark agnostic allocation process driven by bottom-up opportunities targeting real yields

# Country Cost of Capital

Convergence of EM with DM cost of capital



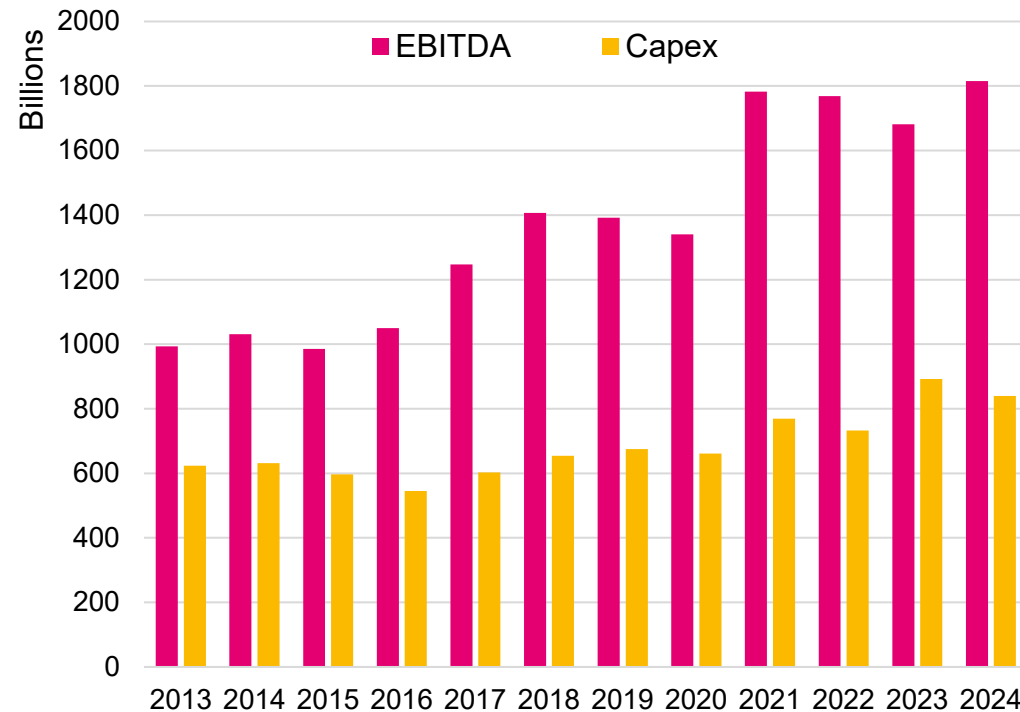
Source: IMF WEO Database, JPMorgan EMBIG GD Index weight as at January 2025

# Similar positive trends in corporate capital allocation

Improved corporate stewardship leading to higher FCF generation

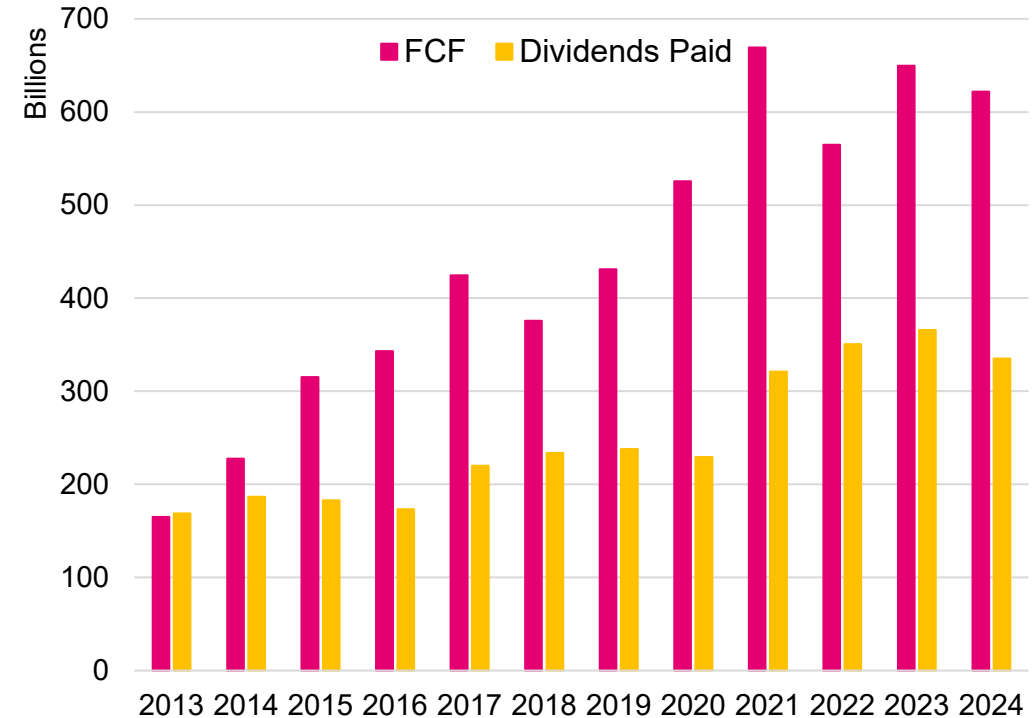
- Aggregate profits (ebitda) has been growing ...

> Whilst the capital requirement (capex) has remained the same



- Leads to a significant growth in free cash flow ...

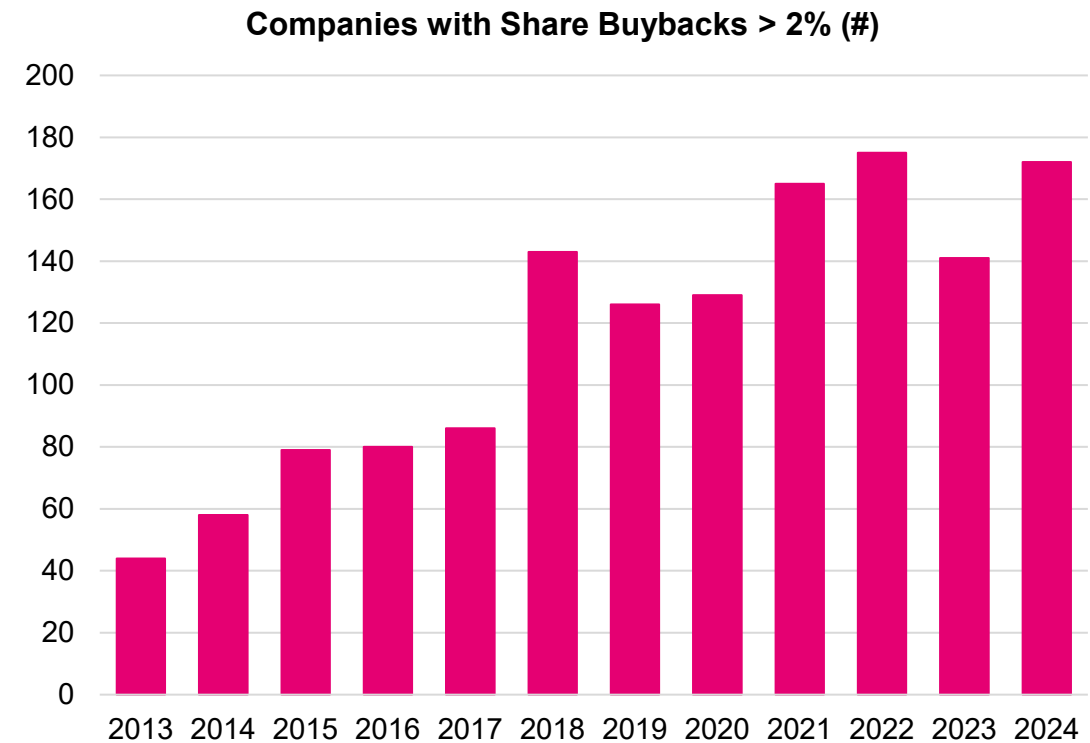
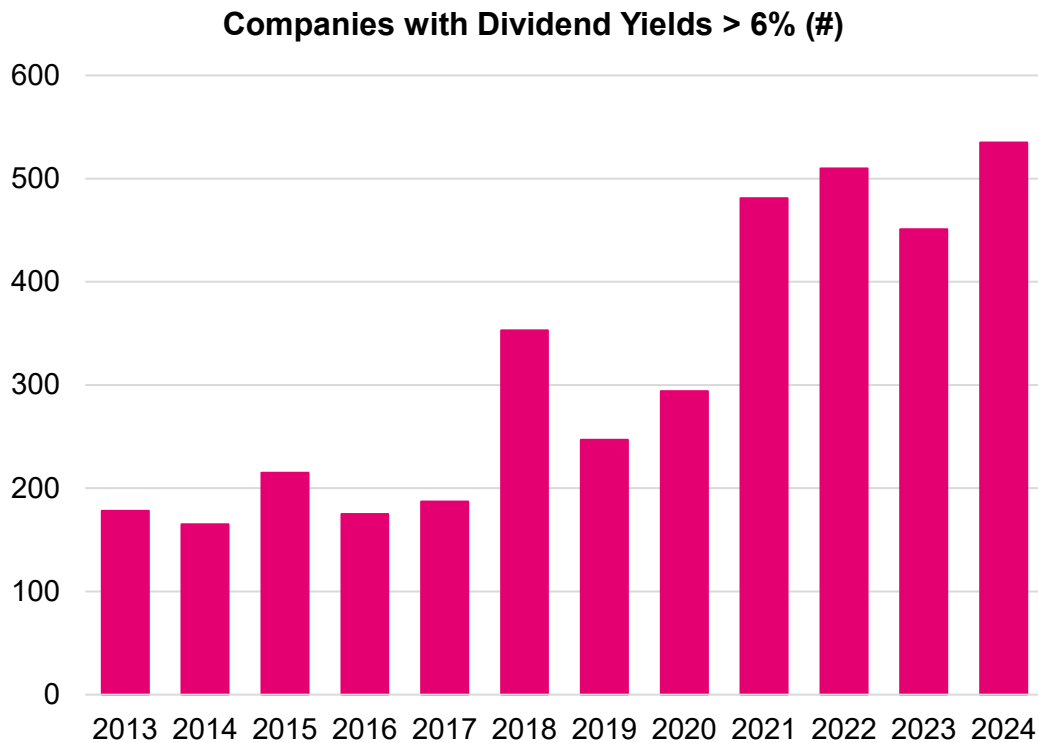
> And a greater propensity to distribute as dividends



# A clear trend improvement in shareholder remuneration

Yielding universe has grown as alignment of interests have converged

- The investable universe is growing rapidly and has greater depth compared to the combined universe of US and European markets
- Higher propensity to pay excess cash as dividends driven by alignment of interests and increased focus from shareholders

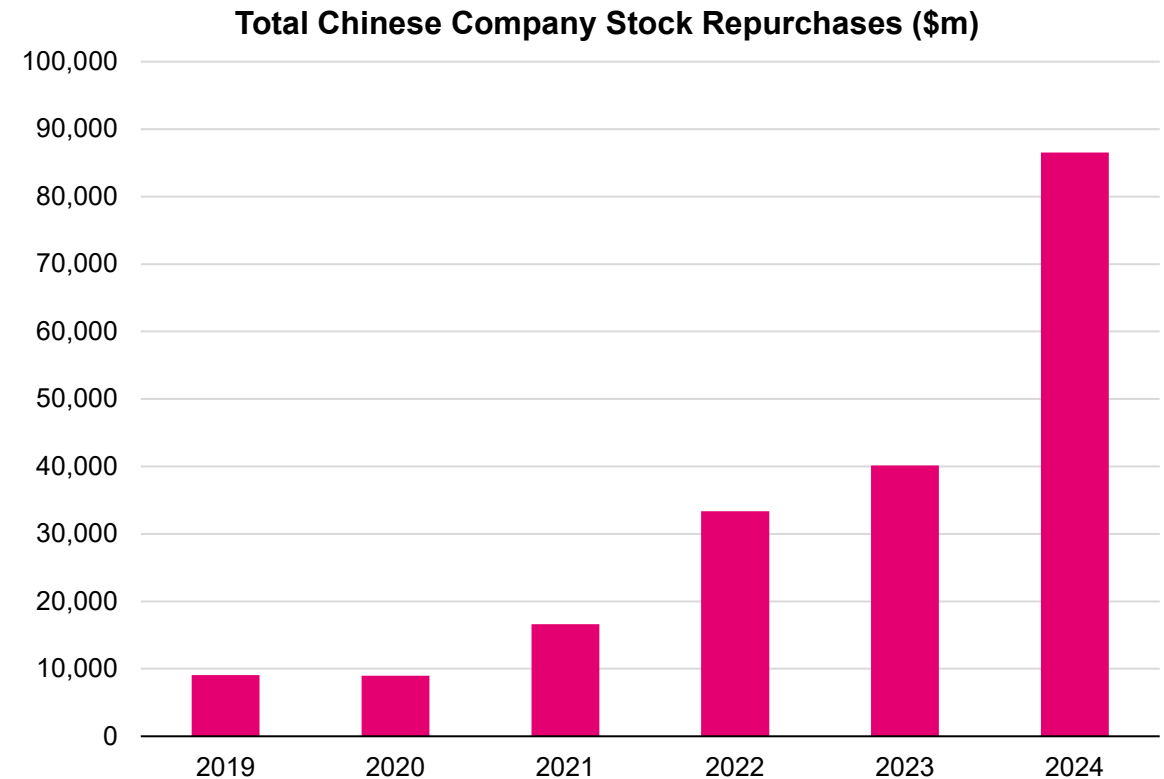
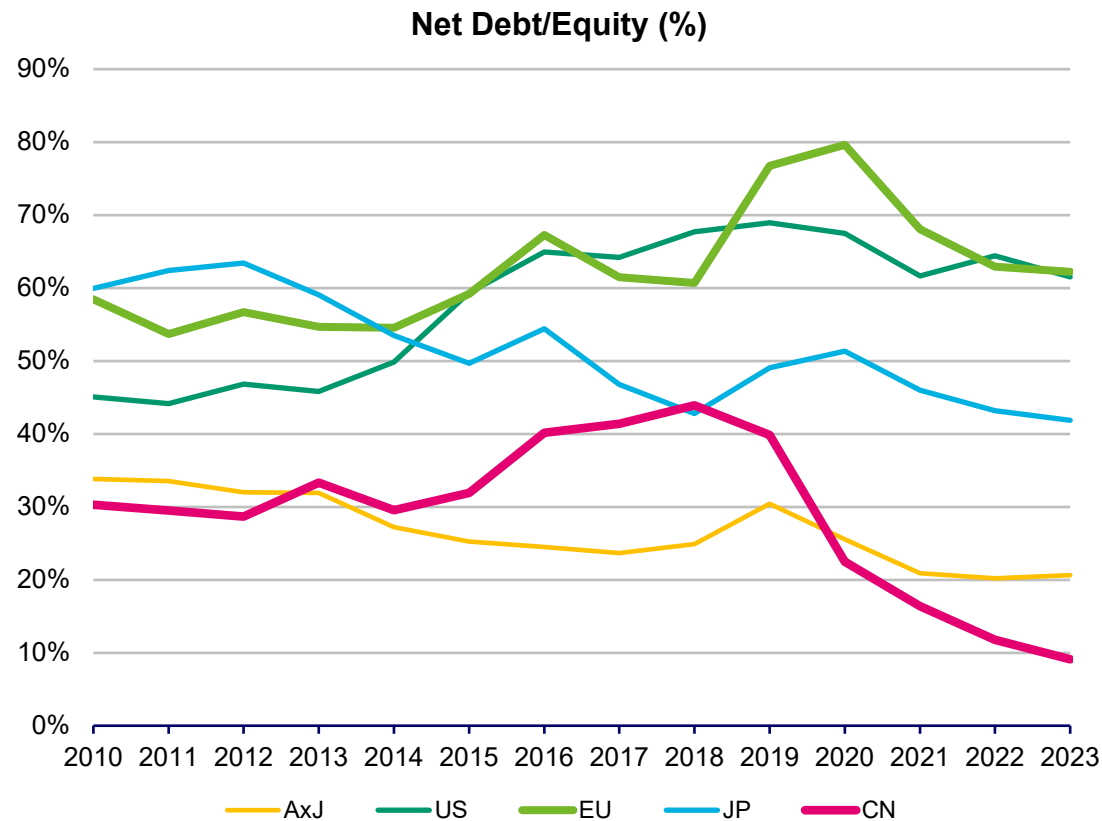


\* Includes stocks with market cap (\$) greater than \$250m, average daily volume > \$1m, at least two analyst estimates and has a blended forward estimated dividend yield of > 6% as of the last day of the respective years.

# China – Excess capital to return to shareholders

## Improving capital allocation discipline

- There are 340 companies listed in HK and US that have net cash, fourteen have cash equivalent to the market cap
- Capital allocation discipline and alignment with minority shareholders continues to improve



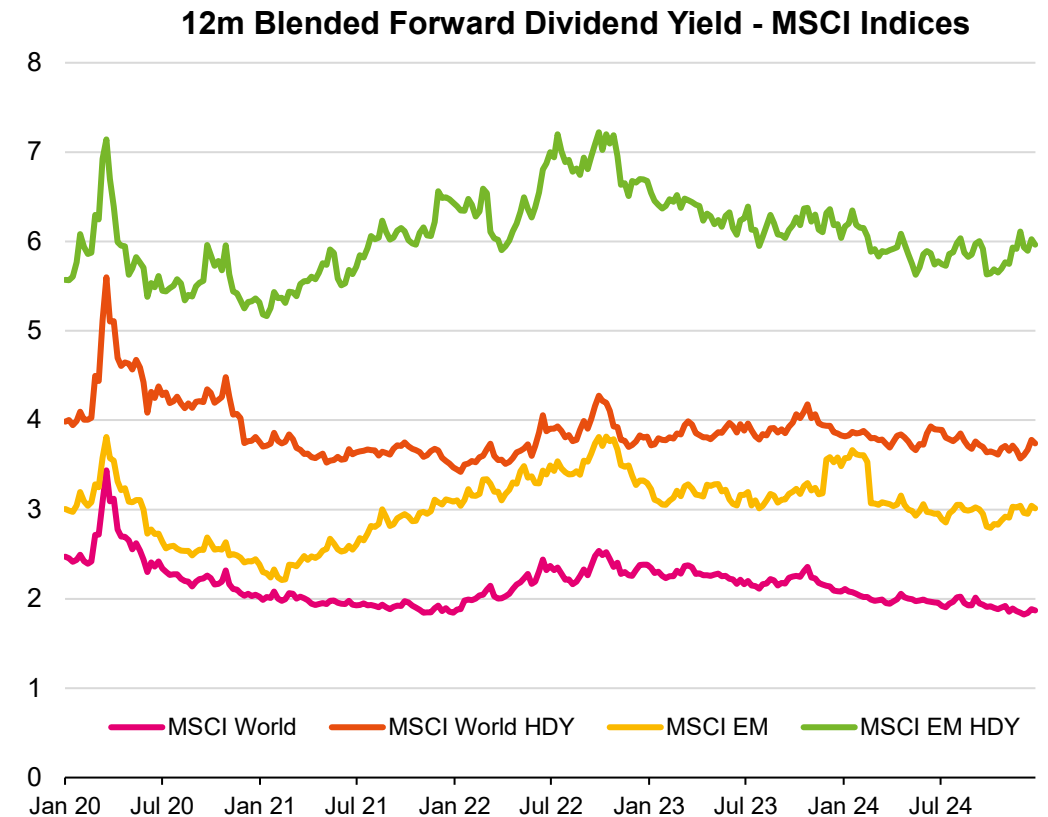
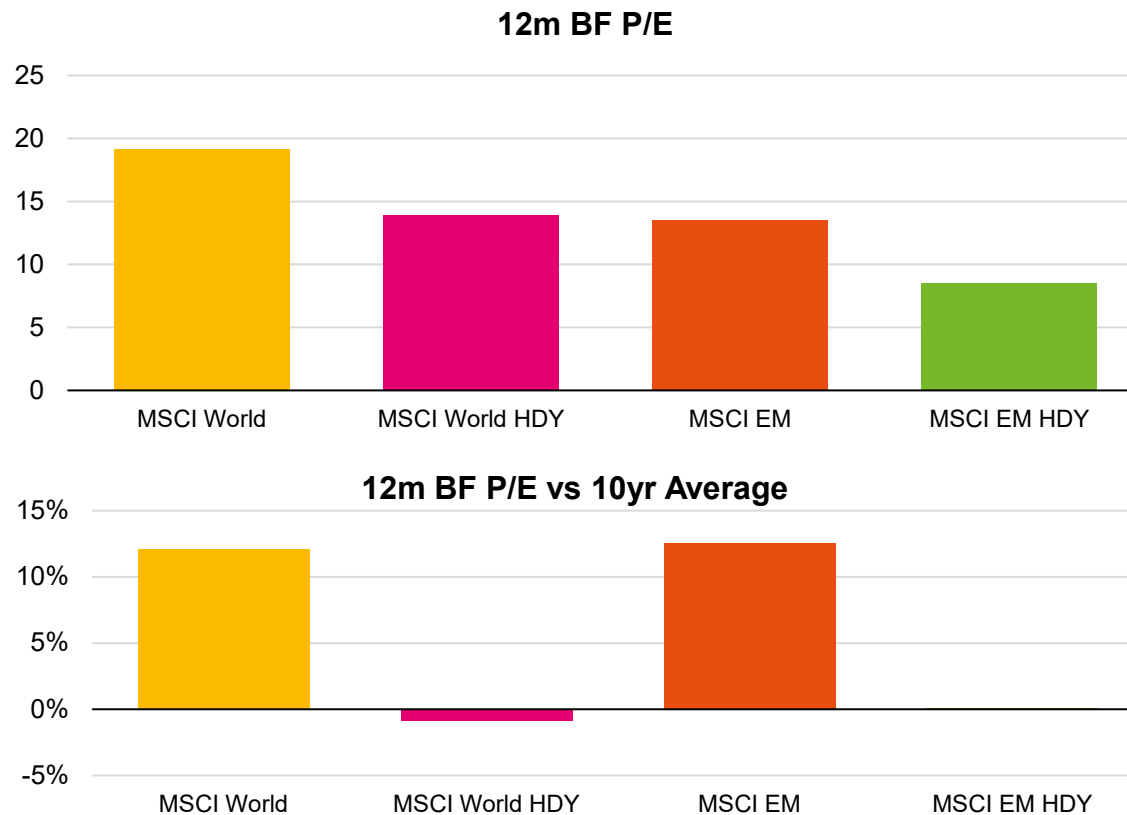
Past performance is not indicative of future performance. None of the information in this presentation constitutes personal recommendations nor advice.

Source: CLSA, Bloomberg 2025.

# Attractive relative yield and valuation

Higher yields on lower valuation

- Dividend yields in Emerging Markets show a clear divergence from Developed Markets
- EM High Div Yield index is at lower multiples than all other world equities





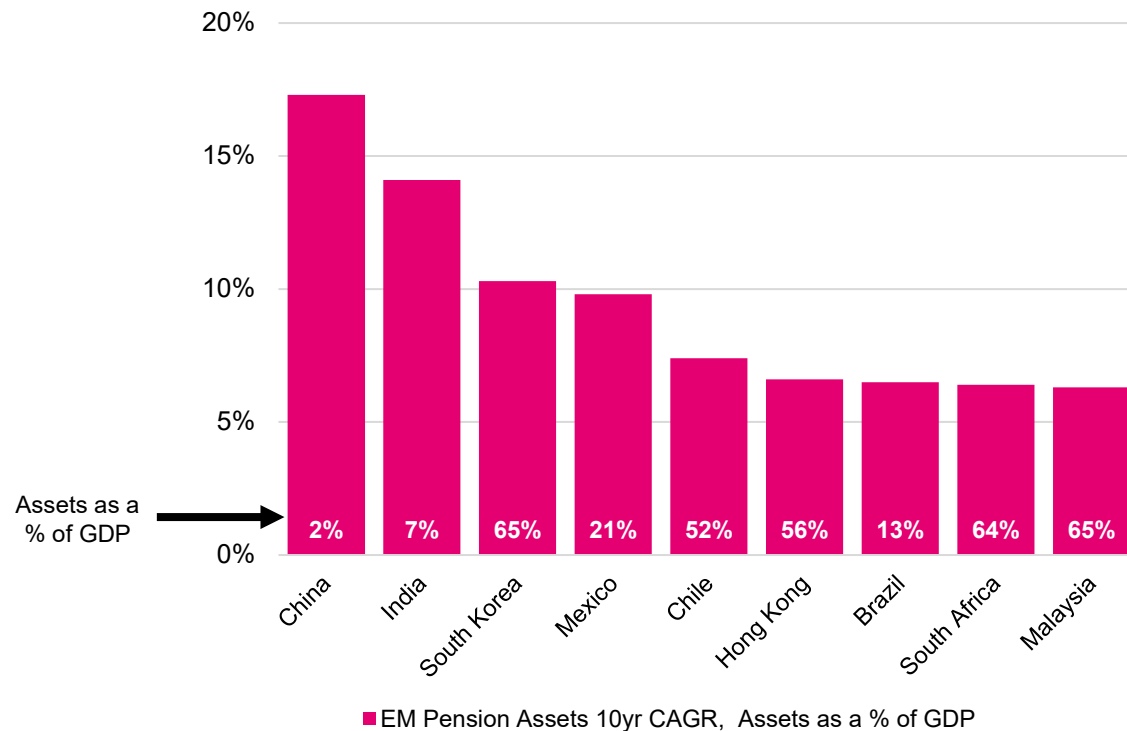
# Growth in pension assets increasing focus on shareholder returns

Pension reforms and aging populations are driving asset accumulation and focus on cash dividends

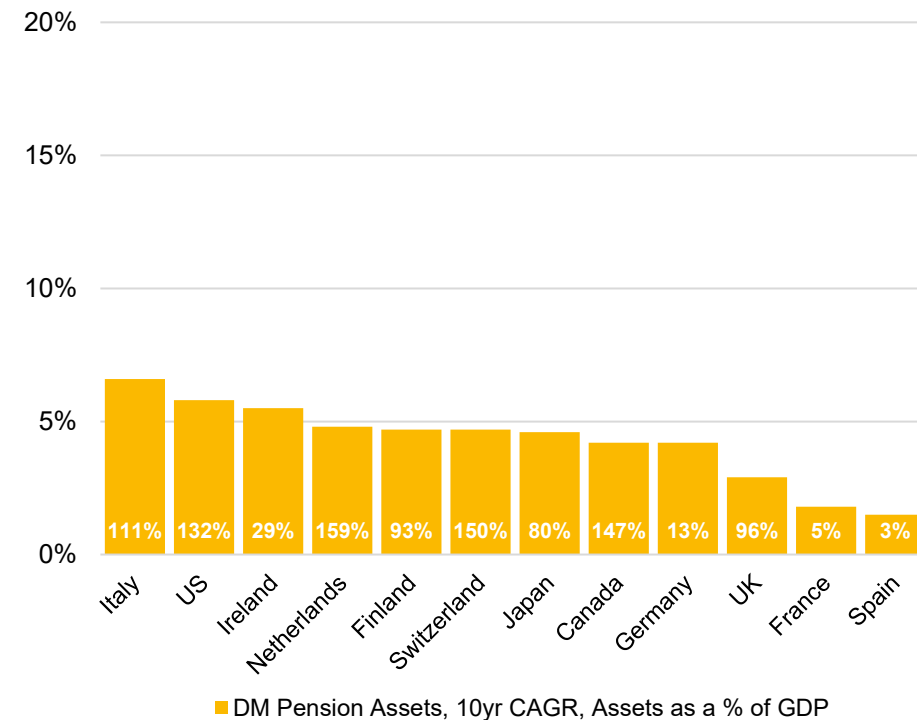
- By 2030 the 'Silver Economy' will be dominated by Asian countries

## Pension Fund Asset Growth (10yr CAGR, %)

### Emerging Markets



### Developed Markets

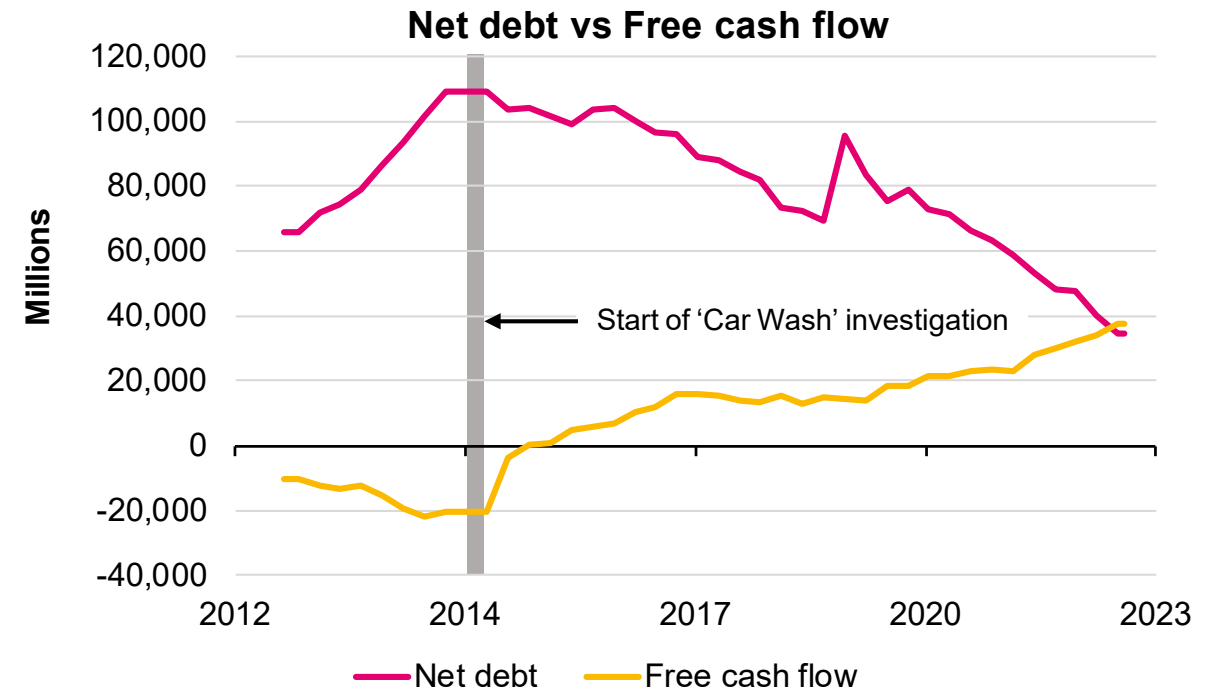


# Petrobras 'Car Wash' Investigation - the power of legislative reforms

Impetus coming from top down and bottom-up

- A remarkable turnaround in governance, capital allocation and profitability
- Clear dividend policy with cash dividends paid quarterly
- Significant legislation to maintain independent management and alignment with shareholders
- SOE law makes C-Suite personally financially liable for decisions that harm the company or shareholders

	RoE	Div. Yield
Nov 2015	2.22	0.00
Nov 2022	37.58	43.2%



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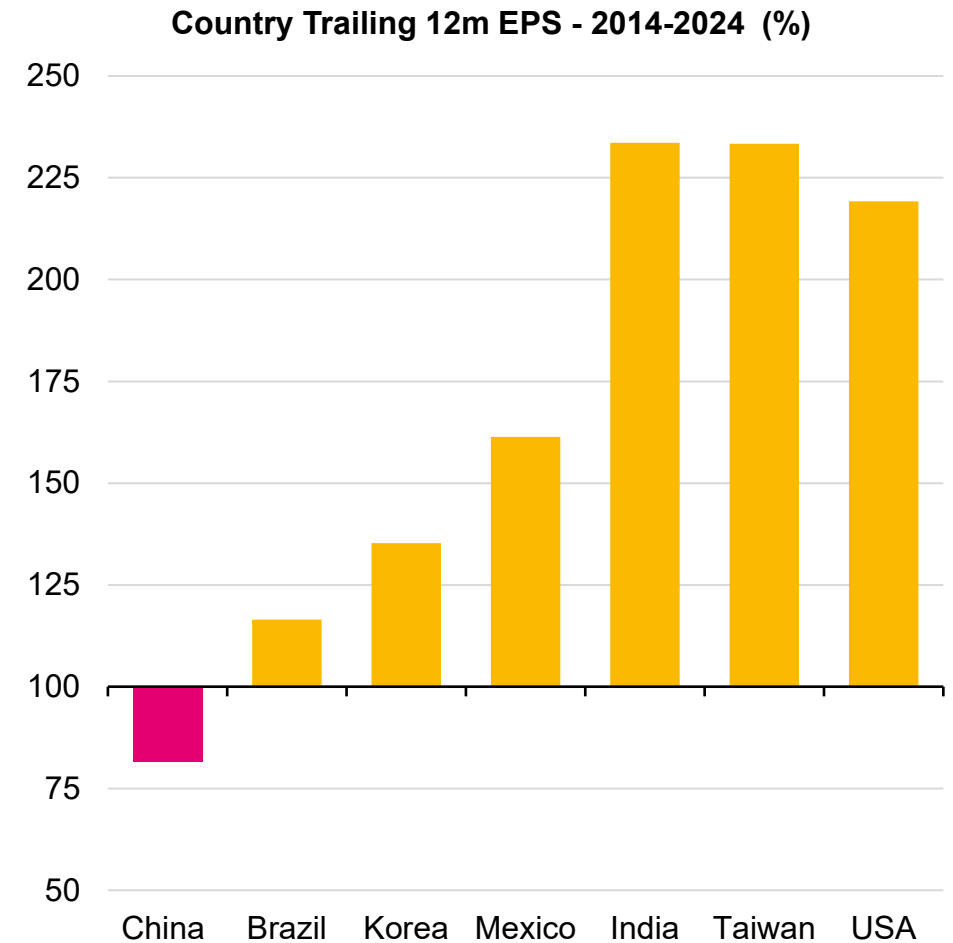
Source: Bloomberg as at 30 September 2022.

# **5** KEY INVESTMENT OBSERVATION: **REBALANCING**

- A third evolutionary phase in EM
- Bad for China, good for other markets
- Homogeneity > heterogeneous investment theses

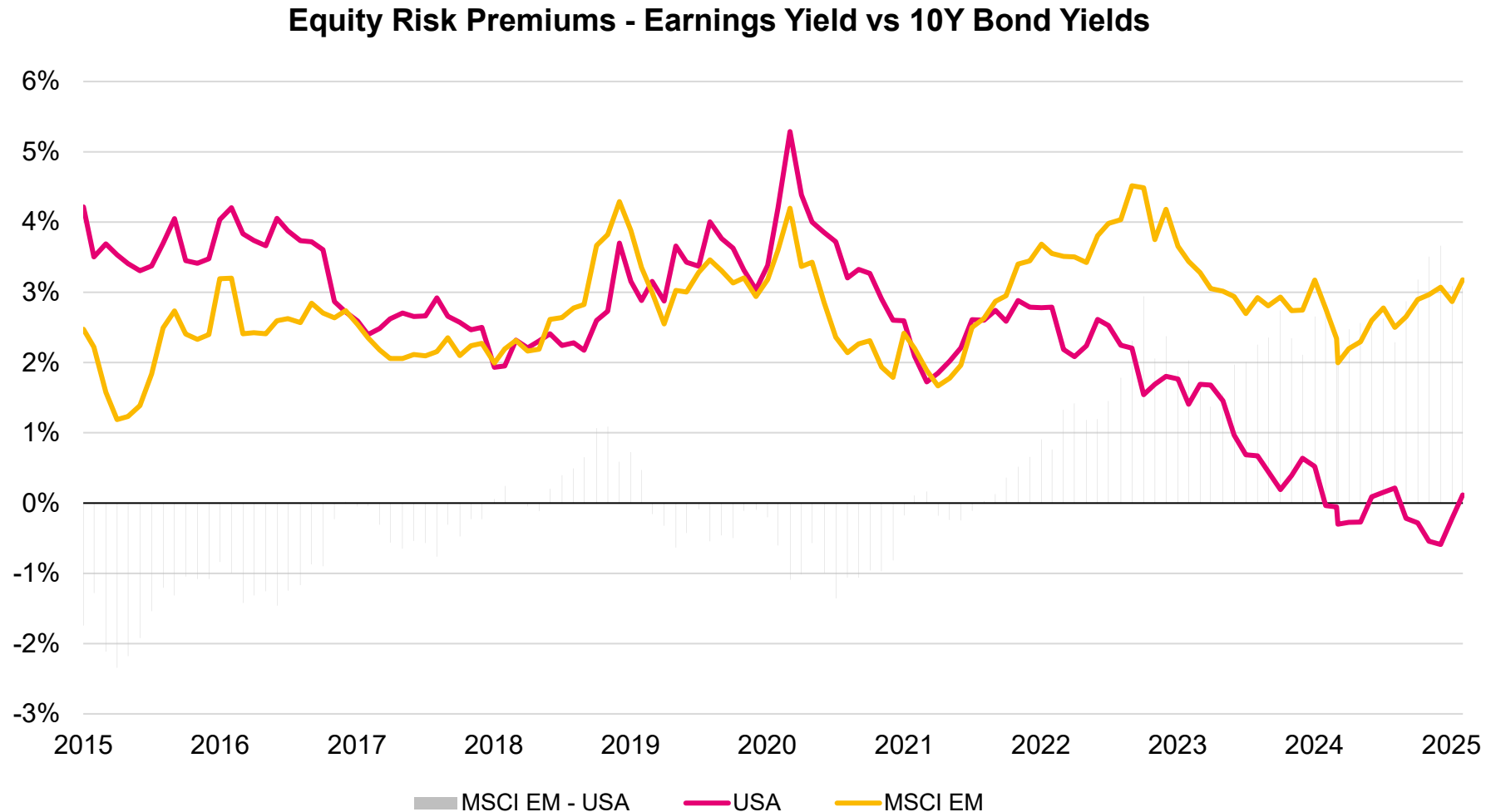
# Index performance masks the broader picture

Chinese earnings have been flat/down over the past decade in contrast to other EM countries



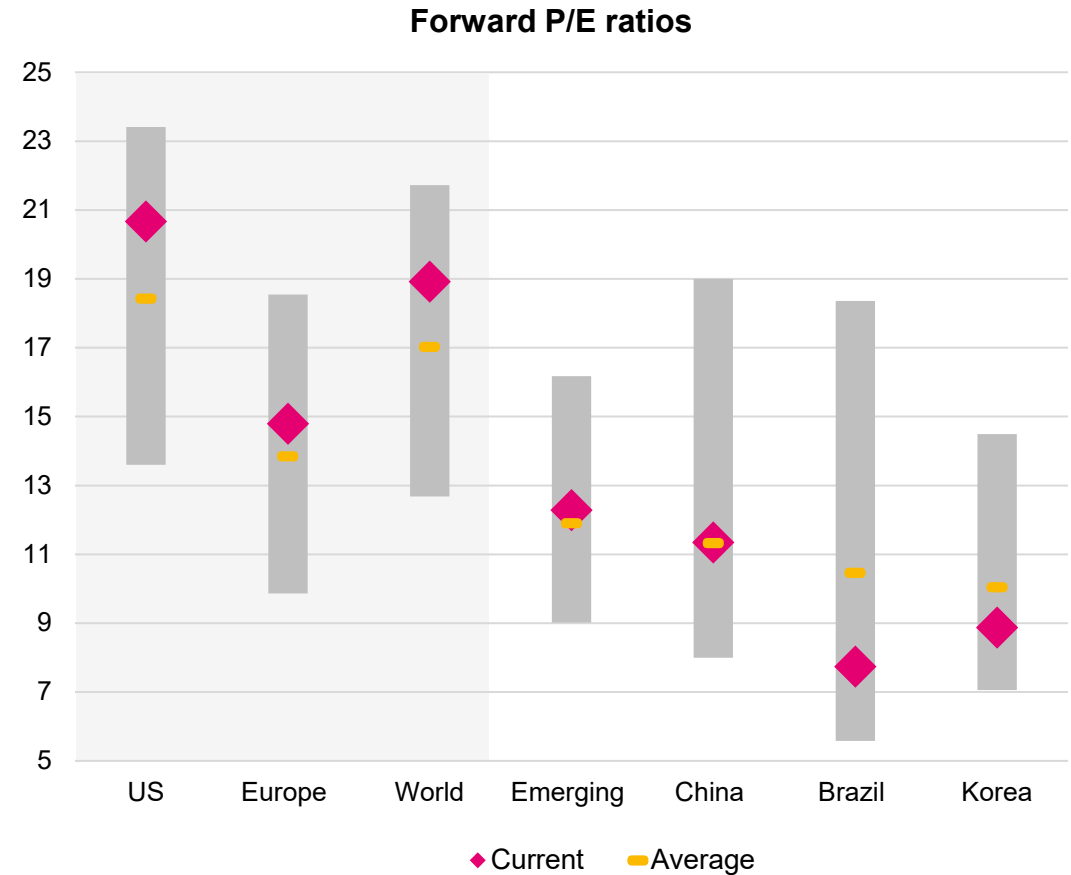
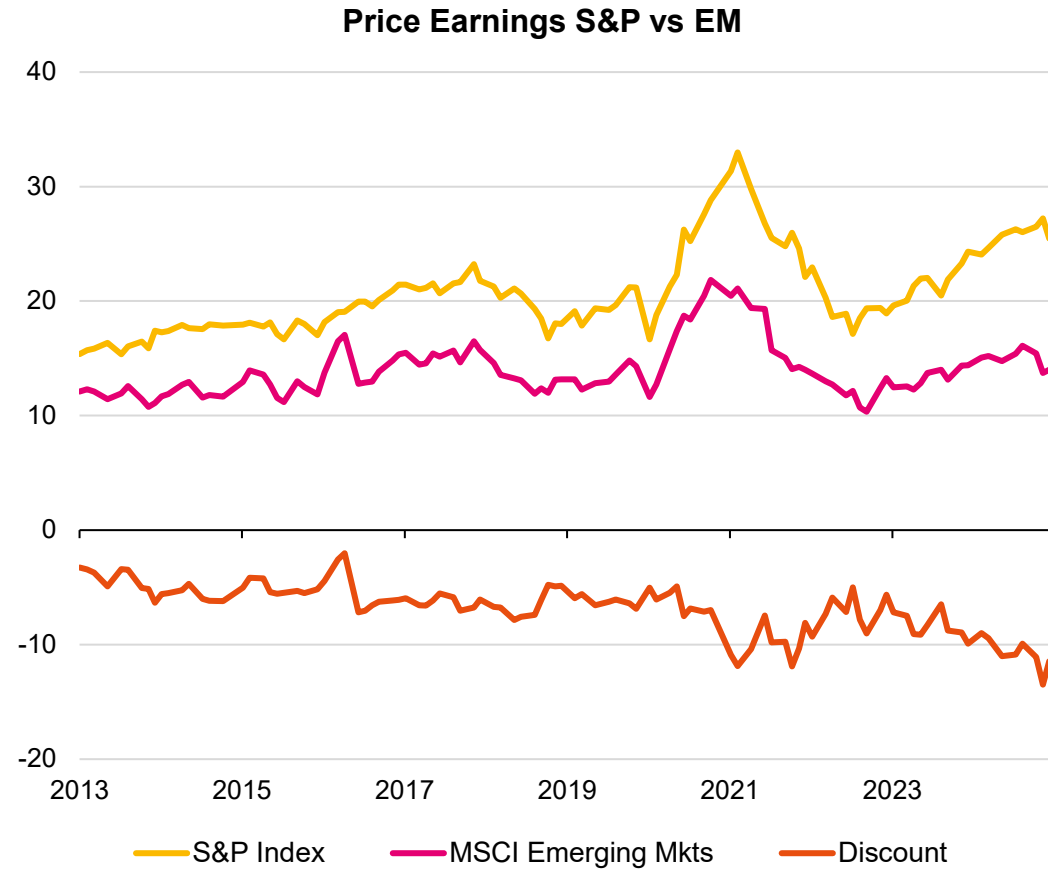
# Implied equity risk premiums diverging

EM equity has an appropriate level of premium



# Emerging Markets - Relative valuation looks attractive

Discount to S&P back to historical highs



# Autohome – China's leading on-line automotive marketplace

Online & offline business connecting buyers and sellers across the entire retail ecosystem

- China's new car market is larger than the next four combined
- Largest and stable user base with 75m Autohome Mobile DAU
- Second hand market saw 20m transactions in 2024
- 96% of buyers search for cars through vertical media
- 56% of buyers search through Autohome
- NEVs are over 50% of total sales in China



Holographic glasses-free 3D Browsing for multi-model car comparison



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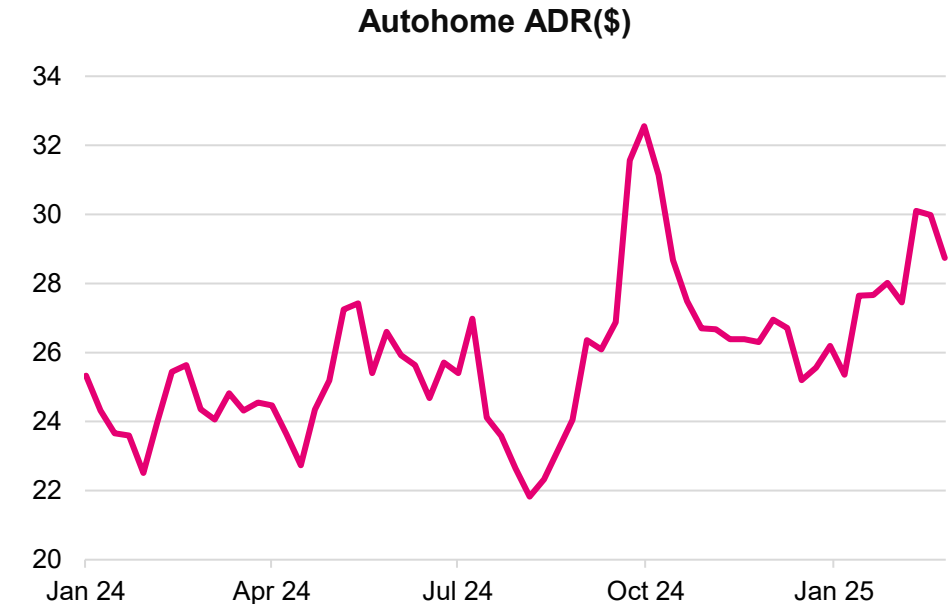
Source: Bloomberg and Property Monitor as at April 2025.

# Autohome – Cash is higher than market cap

The ‘free’ free cashflow machine

- Ping An recently sold a non-controlling interest to Haier for \$34/shr
- Significant potential synergies between the two businesses
- Change in ownership increases flexibility in share repurchase policy
- Pricing competition between domestic car manufacturers is easing
- Question marks over strategy possible until transaction closes

	2020	2021	2022	2023	2024	2025
Revenue (\$)	1,256	1,122	1,032	1,015	978	997
EPS (\$)	4.14	2.79	2.15	2.16	1.85	1.96
Free Cash Flow (\$)	444	512	364	335	275	200
Net Cash Balance (\$)	2,029	3,056	3,011	3,114	3,287	3,200
Cash as a % of Mkt Cap	17%	81%	78%	90%	103%	
Total Shareholder Remuneration (%)	0.8%	1.7%	1.8%	4.1%	9.4%	>9%
P/E (Yr High)	26	31	14	16	15	13



## Autohome (ATHM US) key figures

Est P/E 2025:	12.8x
Est EV/Ebitda:	0.8x
Net Debt/Ebitda	-1.2x
Est 2025 Dividend/TSR	>9%

Past performance is not indicative of future performance. None of the information in this presentation constitutes personal recommendations nor advice.

Source: Bloomberg and Property Monitor as at March 2025.



# Emaar Properties – The gift that keeps on giving

Emaar Properties & Emaar Development offer yield and growth

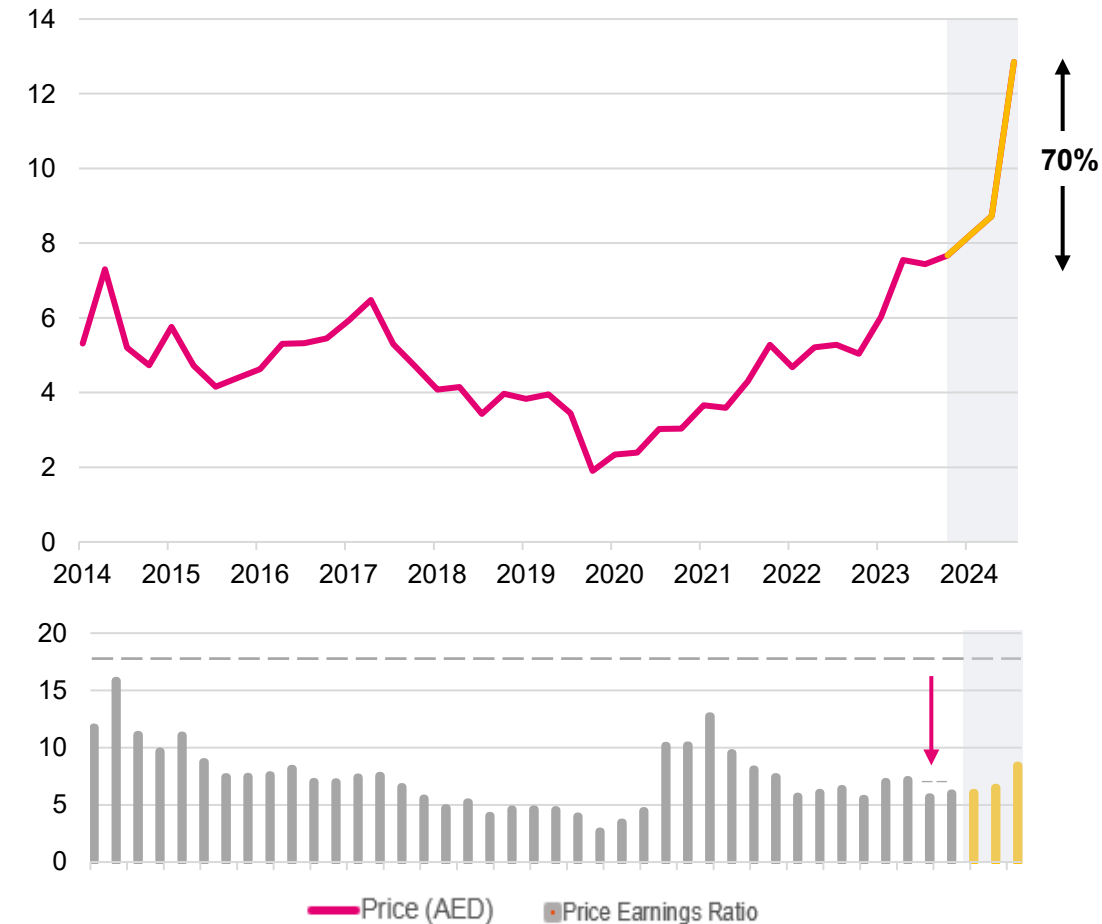
- Profitability continues to be very strong
- Management increased the dividend in Q4 to a double-digit yield
- Some signs of plateauing of development sales and prices
- Still trades below the p/e multiple from a decade ago



## Emaar key figures

Est P/E 2025:	8.2x
Est P/B 2025:	1.3x
Net Debt/Ebitda	-1.9x
Dividend Yield	7.5%
Rec. Profit Share:	40%
Property Mkt Share Dubai:	25%

## Emaar Properties Price & P/E



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Source: Bloomberg, North of South Capital as of Feb 2025.

# Stock Attribution

29 December 2023 – 31 December 2024

## Top 10 Contributors (USD)

Security Name	Country	Sector	Contribution to Return (%)
<b>Emaar Development</b>	United Arab Emirates	Real Estate	2.47
<b>Mediatek</b>	Taiwan	Technology	0.99
<b>Sinopec Engineering</b>	China	Industrials	0.89
<b>Salik</b>	United Arab Emirates	Industrials	0.88
<b>China Shenhua Energy</b>	China	Materials	0.84
<b>JNBY Design</b>	China	Consumer Discretionary	0.79
<b>KT Corp</b>	South Korea	Communications	0.77
<b>Acter</b>	Taiwan	Industrials	0.75
<b>Hyundai Motor</b>	South Korea	Consumer Discretionary	0.74
<b>Hana Financial</b>	South Korea	Financials	0.71

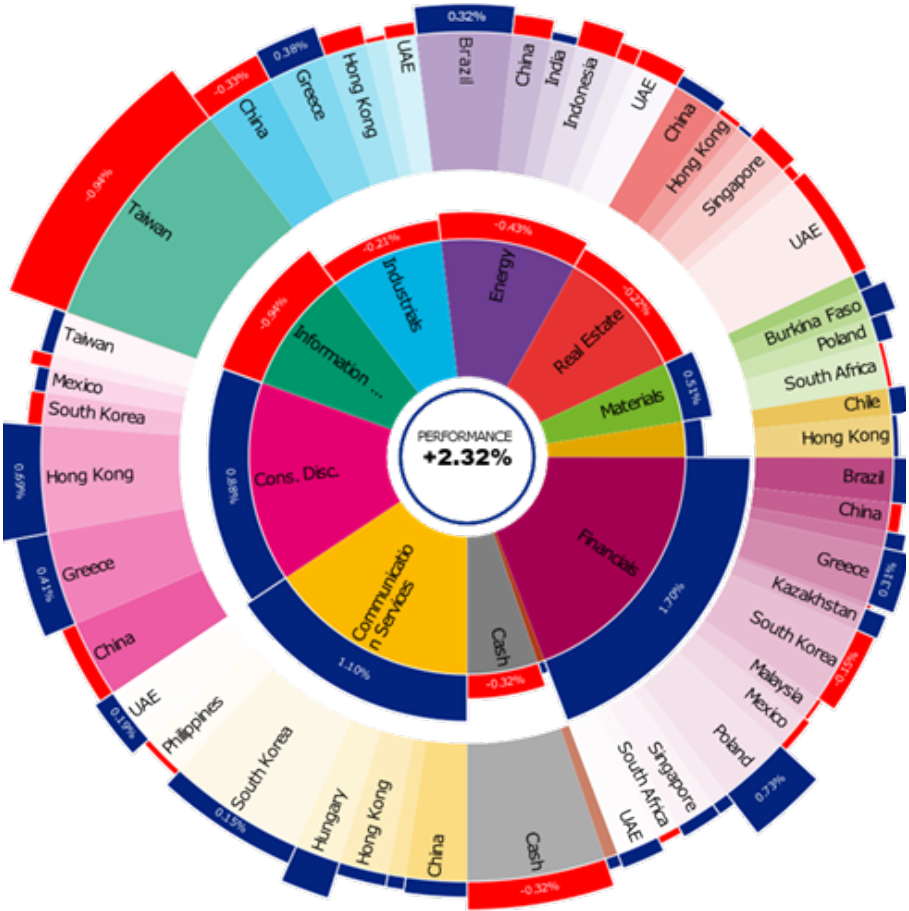
## Top 10 Detractors (USD)

Security Name	Country	Sector	Contribution to Return (%)
<b>Petroreconcavo</b>	Brazil	Energy	-0.73
<b>China Yongda Automobiles</b>	China	Materials	-0.61
<b>Endeavour Mining</b>	Burkina Faso	Materials	-0.43
<b>Banco Del Bajio</b>	Mexico	Financials	-0.42
<b>Bermaz Auto</b>	Malaysia	Consumer Discretionary	-0.40
<b>Banco Do Brasil</b>	Brazil	Financials	-0.38
<b>Fibra Macquarie Mexico</b>	Mexico	Real Estate	-0.37
<b>Bradespar</b>	Brazil	Financials	-0.34
<b>Tim</b>	Brazil	Communications	-0.33
<b>United Microelectronics</b>	Taiwan	Technology	-0.31

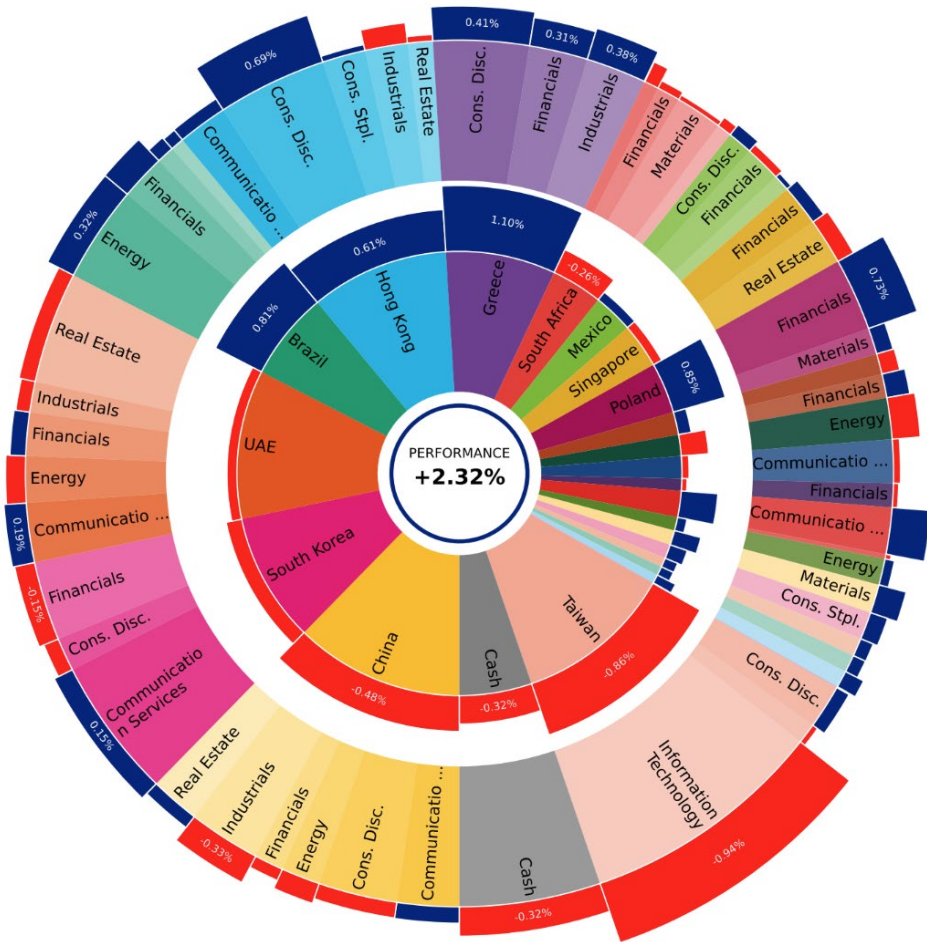
# Performance Attribution

31 December 2024 – 31 March 2025

Sector>Country



Country>Sector

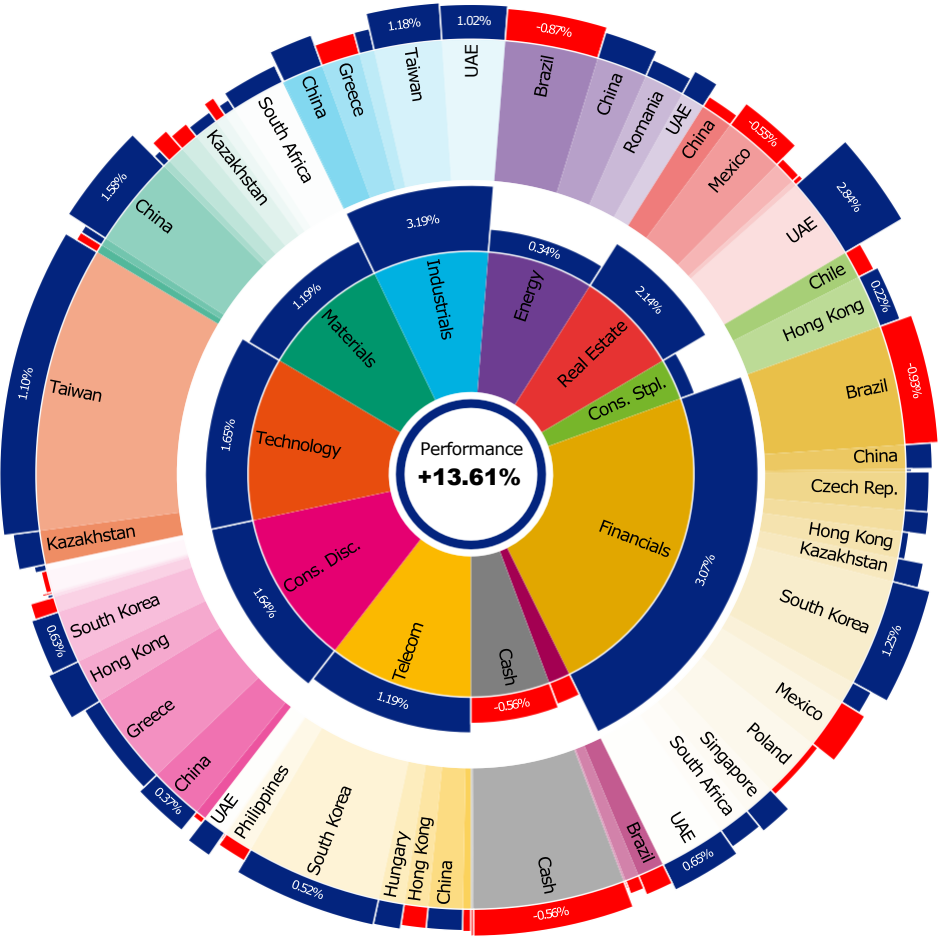


Source: Pacific Asset Management, March 2025

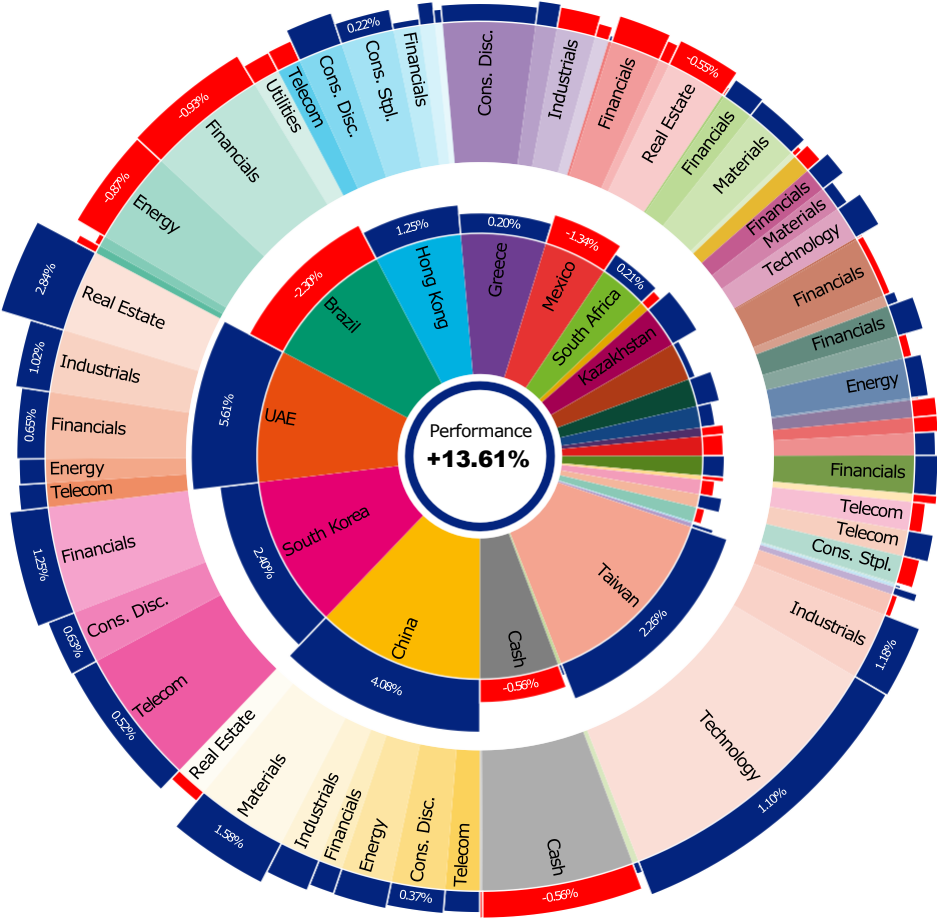
# Performance Attribution

29 December 2023 – 31 December 2024

Sector>Country



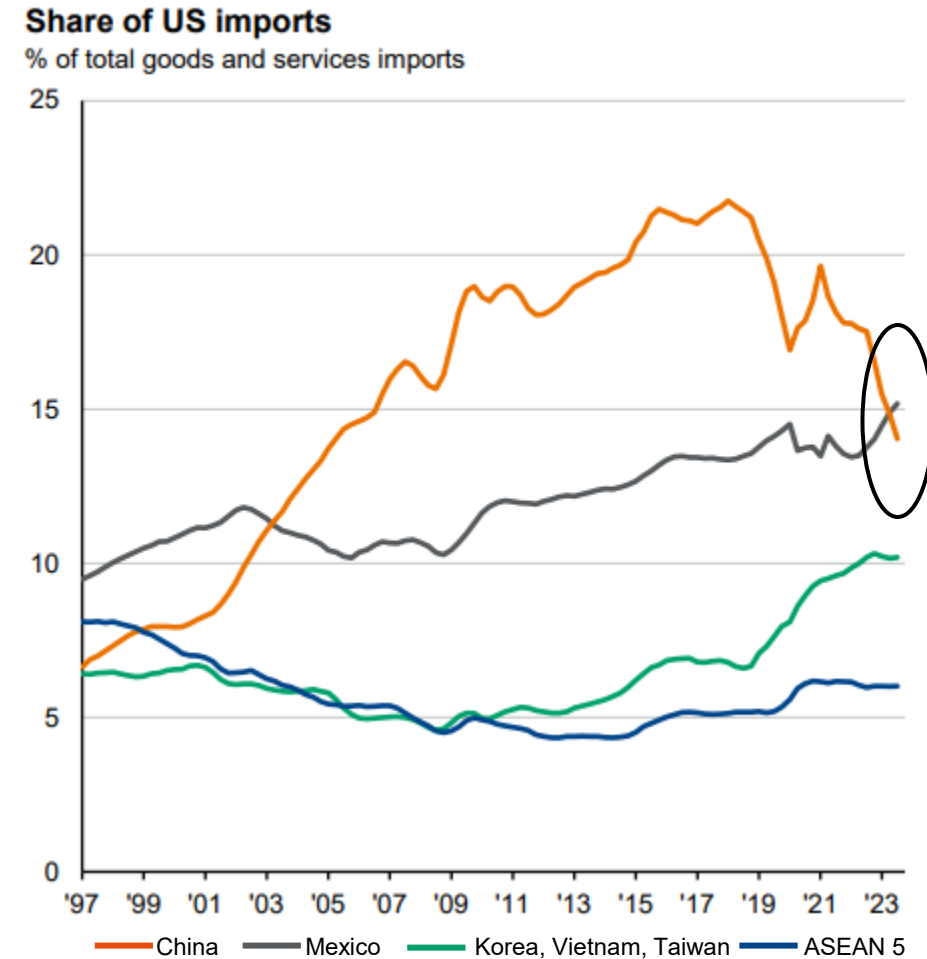
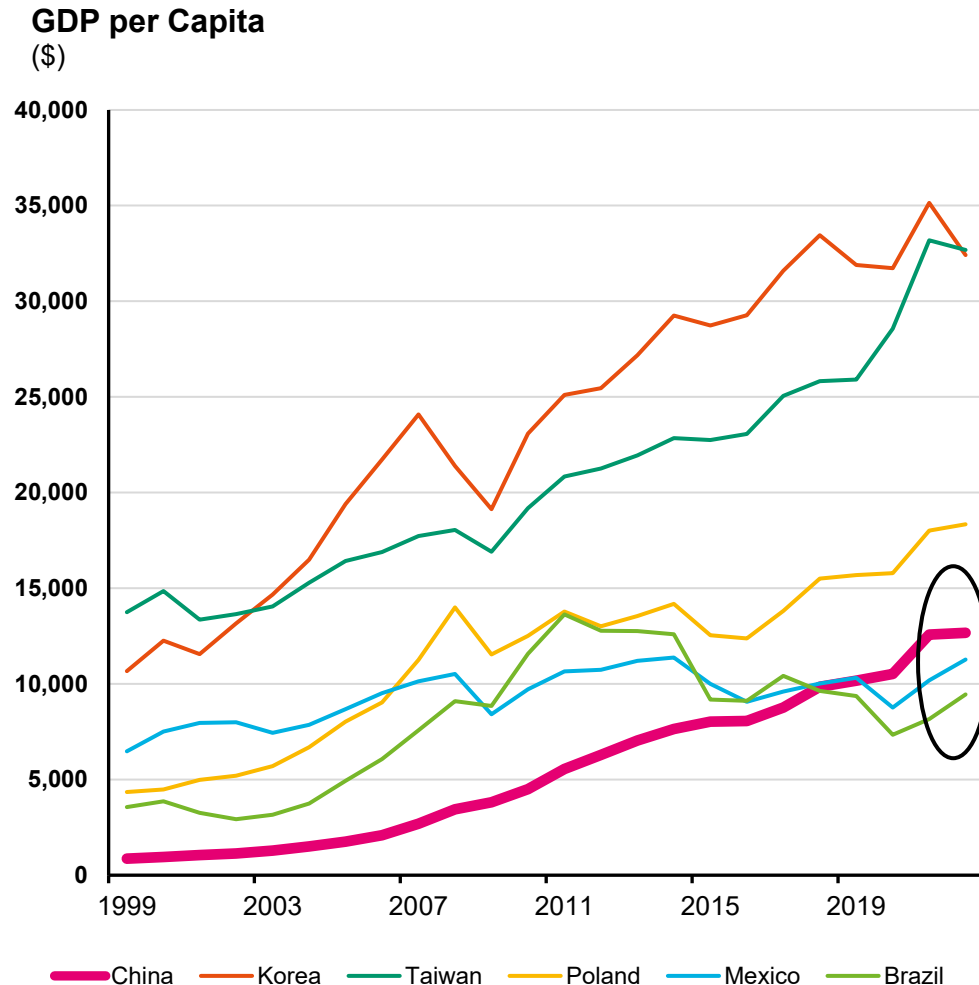
Country>Sector



Source: Pacific Asset Management, December 2024.

# China's middle-income trap

China has become the victim of its own success, various factors driving a levelling up with other countries



Source: North of South, Pacific Asset Management, JPMorgan as at February 2024.

# Growth is good, but valuation is key

## Alibaba, the “Growth” Rollercoaster

- You can be right about growth but wrong about the valuation
- Revenue has grown 10-fold since 2014
- Alibaba’s Enterprise Value today is 40% lower than when it listed

### Alibaba Today

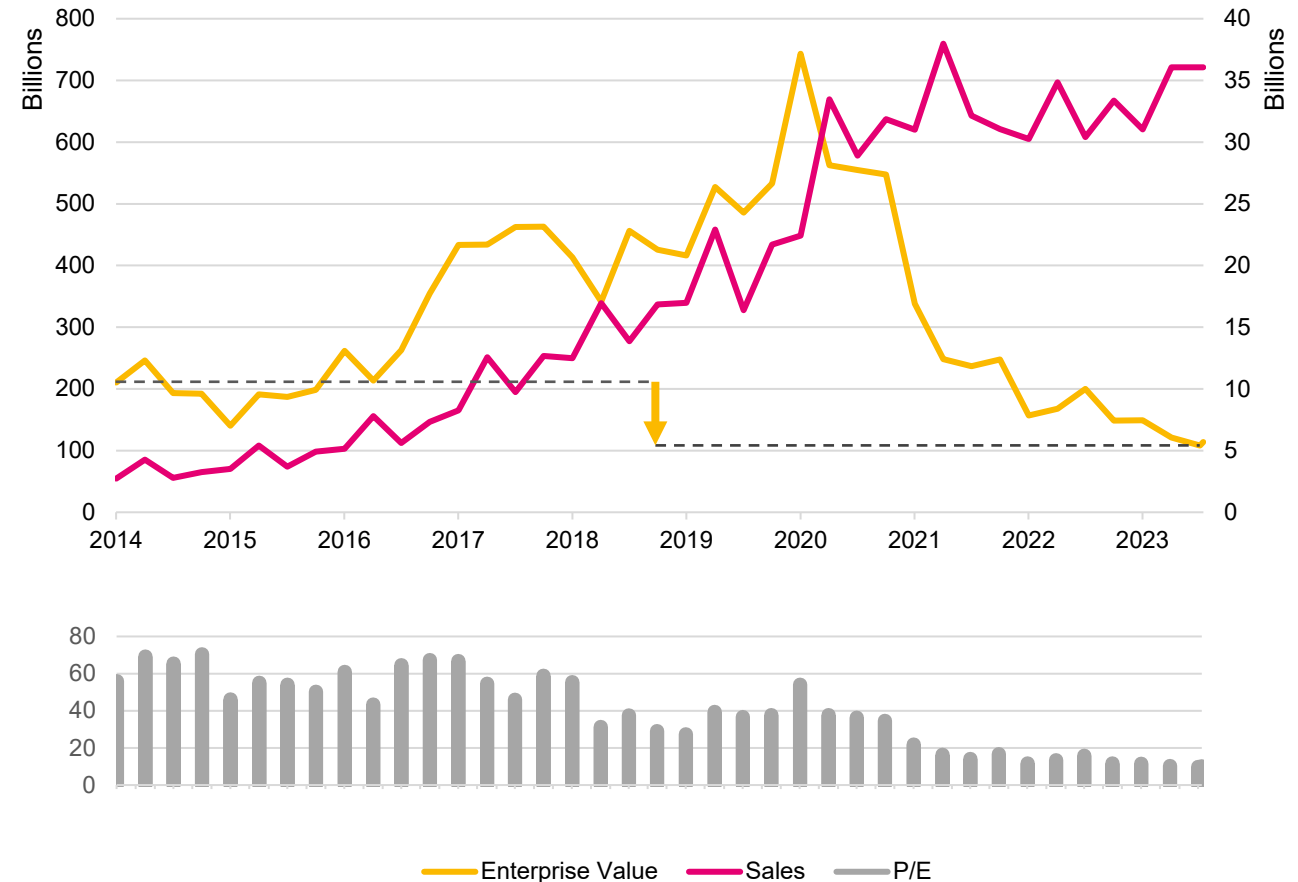
Share Buyback US\$ 40bn

Free Cashflow Yield 12%

Cash / Market Cap 40%

3 year EPS CAGR >12%

### Alibaba Derating



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Source: Bloomberg as at March 2024.



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