

Nomura Funds Ireland Plc - GEM Fund

Detailed Regional Commentary – May 2012

The Fund returned -12.2% over the month of May, underperforming the benchmark MSCI EM Index return (-11.2%). The Emerging EMEA sub-portfolio outperformed but Emerging Asia and Latin America sub-portfolios underperformed. The Emerging Markets' performances as a whole remained volatile and were dominated by global concerns beyond their borders, most notably the sovereign debt problem in the Eurozone (in particular, Spain's move towards a bank bailout and the possibility that Greece would secede from the Eurozone) and its potentially damaging impact on the global economy.

Nomura Asset Management Singapore Monthly Performance Review: Emerging Asia

For the month of May, the Asian sub-portfolio recorded a negative return of 10.7%, compared with the MSCI Emerging Market Asia index a negative return of 9.5% (in US dollar terms).

Stock allocation effects detracted the most from the sub-portfolio in this volatile period, while country allocation was less negative. The overweight exposure to the Philippines and underweight exposure to China were the key positive while an overweight exposure to Thailand and an underweight exposure to Malaysia detracted from the relative performance. Significant negative stock selections contributions in South Korea and also India, China and Malaysia overwhelmed positive stock selections efforts in Taiwan.

Within Korea, Samsung Electronics was among the stocks that detracted most from the relative performance this month after outperforming for most of the year. Good reviews received on the launch of its new smartphone Galaxy S3 did little to mitigate the weak share price performance. NCsoft suffered an 18% slump due to concerns over increased competition from the Diabolo 3 game launch. General risk aversion caused construction companies and shipbuilders such as Samsung Engineering and Daewoo Shipbuilding & Marine Engineering to underperform. The large overweight position in Hyundai Mobis had a negative effect on the performance as it trailed the market amid a lack of stock specific news. In contrast, Dongbu Insurance outperformed on expectations that good insurance sales momentum would continue this year.

On the contrary in Taiwan, Apple related stocks contributed positively on expectations of a new product launch in the third quarter of this year. As such, the position in Radiant Opto-Electronics outperformed. However, the underweight exposure to Taiwan Semiconductor Manufacturing had a negative impact. China Life Insurance and CTCI Corp both outperformed amid a lack of stock specific news. Formosa International Hotels underperformed amid expectations that cross-straits tourism policies might be realised later than expected.

Market Outlook and Portfolio Strategy: Emerging Asia

Positive momentum from the beginning of the year gave way to a sudden reversal as the global and regional equity markets plunged in May. Yields on major 10-year sovereign bonds also reached record lows. Our reasonably positive view of the Asia Pacific economies and the region's stock markets has proven premature as the peripheral European economies lurch from one crisis to another.

We stand by our view that investor sentiment has now reached a state of excessive pessimism. Even though the US economic recovery has slowed somewhat, the sharp drop in energy prices will help to reboot consumption growth. Core Europe is still in reasonable shape, while most of the emerging markets are demonstrating some resilience. Chinese economic growth has evidently slowed down, but we expect further policy measures to improve the liquidity situation. Falling inflation will also allow the authorities to reduce interest rates in the 2nd half of 2012., enabling a gradual recovery later in the year.

Over recent months, we have made few asset or sector allocation changes and we remain comfortable with our positioning.

While the underweight position in China has been in place for 3 years now, we are becoming steadily more upbeat from a tactical perspective. Recent policy measures have to improve the attractiveness of the domestic A-share market. Market participants are also forcing companies to improve their governance, while the equity supply demand imbalances are also in better shape after the cancellation of capital raising plans and the recent large dividend payouts, which are likely to be reinvested. In addition, stocks look extremely cheap at the moment, especially in the industrial and financial sectors.

We still like the smaller ASEAN markets of the Philippines and Thailand. Markets here are no longer cheap but we feel they are still going through a secular re-rating phase, benefiting from higher economic growth and strong domestic consumption. However, we do have some concerns about recent policy initiatives in Indonesia that seem to work against the interests of foreign investors, so we will monitor the situation closely.

Charlemagne Capital
Monthly Performance Review and Market Outlook: EMEA



Emerging EMEA stockmarkets fell -14.5% in May as measured by the MSCI Emerging EMEA Index and the Emerging EMEA sub-manager outperformed this index by 1.4% mainly through country allocation (itself a function of the sub-manager's bottom-up stock picking).

The EMEA region was weaker across the board in May, with losses particularly marked in Russia, as World share prices tumbled on the back of renewed Eurozone concerns and some evidence of slower global growth, particularly from China and the US.

African stockmarkets held up relatively well, with Egypt outperforming despite some concern surrounding the outcome of the presidential election where electors now face a stark choice between two extremes: Mohamed Morsi, the candidate of the Moslem Brotherhood, and Ahmed Shafik, Mubarak's former prime minister. Orascom Construction, the sub-portfolio's only holding here, suffered a comparatively modest fall of 8% in its share price over the month.

South Africa was also relatively strong, with the weaker rand supporting the gold miners despite little net movement in the price of bullion. Gold Fields put on 4%, partially reversing a poor year-to-date performance, whilst AngloGold Ashanti was 5% higher. AngloGold found additional support from a 46% rise in earnings over the first quarter as well as plans to boost output by almost a third over the next two years. Also in South Africa, private hospitals group Life Healthcare fell just 2%, adding to an already strong relative performance this year, supported by growth expectations in the lower income segment of the market where it dominates.

Most of the downside over the month came from Russia, which was hit by a fall in the oil price that saw Brent crude end the month at around USD 100 a barrel. As a result, index heavyweights Gazprom and Sberbank saw their share prices decline 24%. Investors were also disappointed that the Kremlin would appear to have embarked upon a more interventionist policy with concerns not soothed by the announcement of the new cabinet even though most of Putin's old guard have been replaced by what would appear to be competent technocrats. A return to much-needed reform had been expected but the implicit support for Rosneft as the national oil champion, highlighted by the possibility that it may acquire the BP stake in TNK-BP, would appear to be a retrograde step. In addition, the decision to merge Federal Grid back into IDGC Holding within electricity transmission; will create a larger, government-controlled, entity thereby diluting the investment case for minority shareholders. Federal Grid was therefore divested from the portfolio.

Turkey provided some encouragement during the month, supported by the fall in the oil price, which benefits the country as a net importer of energy. Although the Turkish economy has some problems, centred on the current account deficit, these appear manageable, with the lower oil price a definite positive. Amongst the sub-portfolio's holdings, the airports operator TAV saw its share price fall a relatively modest 8% following stronger than expected first quarter results. ENKA fell 31% however, with the engineering and construction firm's exposure to the Russian real estate market seeming to unnerve investors.

Amongst other changes to the portfolio, the London-listed oil group Afren was divested in May. Its share price had been driven up by positive newsflow from Nigeria over the past six months but with this newsflow now expected to decline, further gains will be harder to come by.

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



The sub-portfolio lagged the MSCI EM Latin America Index return of -13.1% by 0.2% in the month of May 2012.

Stocks that detracted value during the month included our overweight in Banco do Brasil after the government announced measures that would impose significant reductions in lending spreads across the banking system in its effort to spur lending demand growth. Our overweight in lochpe Maxion, the leading automotive wheels and frames manufacturer in Brazil, also

detracted after the company announced a potential equity offering aimed at deleveraging the company. Finally our overweight position in Mexican homebuilder Homex detracted during the month driven by lack of visibility over its free cash flow generation capacity in the short term. In terms of countries Chile, followed by Peru and Mexico added the most during the month while Brazil detracted the most; on sectors Telecom and Utilities added the most while Industrials and Consumer Discretionary were the largest detractors.

Performance at the stock level was led by our underweight position in America Movil, the largest telecom operator in the region as the name remained under pressure after it announced its intentions to accumulate minority stakes in smaller European telecom companies. Our zero weight in Brazilian beer and beverages conglomerate AMBEV also contributed to performance as the shares corrected from exceedingly high valuations and on concerns over higher beer taxes in the country. Finally, our zero weight in Mexican retailer Walmex also added value as shares remained weak following accusations over alleged bribery actions by company officials to secure land for new stores.

Market Outlook and Strategy: Latin America

In general, risk aversion came back during the month of May pushing volatility levels up broadly which also resulted in weaker currencies and lower equity valuations across the board. In Brazil further government measures aimed at stimulating growth impacted primarily banks, while risks are also seen for the implementation of additional measures that could affect other areas of the economy. On the positive side, further rate cuts to stimulate domestic demand are anticipated. In Mexico we continue to see moderate inflation while the central bank remains on hold, as it continues to expect limited inflationary effects from the recent weakness in the currency, which has been driven entirely by external risk aversion.

We continue to monitor closely the presidential elections for which consensus anticipates a win by the PRI party even as the leftist PRD candidate is gaining momentum in recent polls. In Chile inflation is slightly higher but still within the predetermined central bank limits; GDP growth remains robust and employment high so we expect the central bank to remain on hold. In Colombia and Peru inflation remains under control and demand robust, driven by consumption and fixed investment.

Our outlook for Brazil is in general turning more cautious given the extent of government interference across different sectors of the economy. However, we remain much more positive on domestic consumption, retail, education and industrial exporters that should benefit from a weaker currency. In Mexico we see a very positive macroeconomic environment with consumption expanding and find good valuations among banks, staples and industrial exporters as key overweight positions. In Chile, Colombia and Peru we continue to favour smaller companies based on more attractive valuations and very significant growth potential.

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