

Redwheel Next Generation EM Equity Fund

Monthly Commentary – June 2024

In June, Next Generation Emerging Markets fell on the back of a stronger US Dollar and a correction in commodity prices. The MSCI Frontier Emerging Markets Index was down 88 basis points while the Redwheel Next Generation Emerging Markets Equity Fund fell -3.0%. Additionally, BlackRock announced the closure of its iShares Frontier and Select EM ETF which has approximately USD 400 million of assets under management.

In Latin America, Mexico was down -10.6% in June, making it the worst performing market in EM during the month. Most of the underperformance can be explained by MXN depreciation, as the local currency index was -5.0%. The sell off was related to the election result. Claudia Sheinbaum won as expected but her party nearly achieved a supermajority. The markets did not like the ensuing lack of oversight and opposition. That being said, early positive signals have pointed to the importance of the private sector and the confirmation of the continuation of key policymakers to smooth the government's transition. In Argentina, President Milei's government obtained its first victory with the approval of the Omnibus Law and Fiscal Chapter, including the reinstatement of the Income Tax and changes to Personal Assets Tax. We view this as a long term positive for the country.

South African equities rallied +9.3% after the ANC announced it would form a GNU (Government of National Unity) with the Democratic Alliance (economically liberal party) and several smaller parties. The largest opposition party, the Democratic Alliance, has received minister and deputy minister positions that should help the party to make meaningful positive contributions towards the economy. The post-election clarity following the GNU Cabinet formation was received positively by the markets, which boosted investor sentiment. Additionally the turnaround in the electricity sector remains impressive and Eskom reached three straight months with no load-shedding.

In Asia, Vietnam, fell -3.2% with a mixture of domestic political risk, interest rate uncertainty and currency volatility dampening investor enthusiasm. The Philippines rose by +0.9% as the Philippines peso appreciated 0.2% m-m against the USD. BSP's guidance for a potential rate cut in August, potentially ahead of US Fed based on some market expectations, has raised PHP's volatility. FX is a major driver of equity prices for the Philippines, shaping the risk premium for the underlying equity market.

The United Arab Emirates was a positive contributor to the Fund's performance. Emaar Development, Emaar Properties, and Aldar Properties rose +7.8%, +7.1% and +13.8%, respectively as the real estate market has remained robust, given strong trends in prices, rents, and transaction activity. 2Q off-plan sales were up 54% y-o-y in terms of value, which we expect to translate into strong pre-sales numbers for Emaar and Aldar. Indonesia bounced back after 3 months of negative performance as on-the-ground consumption was better than expected and government support remains strong post the elections. Bank Syariah rose +18.3% on better-than-expected earnings and solid pre-provision profit growth of +5% YoY.

Profit-taking had an adverse effect on the Argentine market, with Loma, Grupo Financiero Galicia and YPF dropping -9.4%, -11.5% and -13.7% respectively. President Milei's reform bill won congressional approval, but investors locked in gains after the market had risen 36% through the end of May of this year. Commodities also came off the boil in June 2024, having rallied strongly through the spring. Ivanhoe Mines, a copper miner with operations in Africa, dropped -10.4% as the price of copper slipped.

CONTACT US

Please contact us if you have any questions or would like to discuss any of our strategies.

E invest@redwheel.com | **W** www.redwheel.com

Key Information

This document does not constitute investment advice and the information shown is for illustrative purposes only. No investment strategy can guarantee returns or eliminate risks in any environment. Past performance is not a guide to future results. The prices of investments and income from them may fall as well as rise and an investor's investment is subject to potential loss, in whole or in part. Forecasts and estimates are based upon subjective assumptions about circumstances and events that may not yet have taken place and may never do so.

Disclaimer

Redwheel is a registered trademark of RWC Partners Limited. This document is produced by Redwheel for its Swiss investors only. The fund is a Sub-Fund of Redwheel Funds, an open-ended investment company with variable share capital organised under the laws of Luxembourg. This document is not a solicitation or an offer to buy or sell any fund or other investment and is issued in the UK by RWC Partners Limited ("RWC"). This document does not constitute investment, legal or tax advice and expresses no views as to the suitability or appropriateness of any investment and is provided for information purposes only. The views expressed in the commentary are those of the investment team. No person may distribute, copy or publish this document or any of its contents, in whole or in part, for any purpose, without the express, prior written permission of RWC and only in jurisdictions and to investors where it is legally permissible to do so. Past performance is not a reliable indicator of future performance and the value of investments and the income from them may fall as well as rise. An investor may not get back the amount invested and could lose all of their investment. The risks of investment are detailed in the prospectus and should be considered in conjunction with your investment adviser. Please refer to the prospectus, Key Investor Information Document, summary of investor rights and other legal documents as well as annual and semi-annual reports before making investment decisions; these documents are available free of charge from RWC or on RWC's website: [https:// www.redwheel.com/](https://www.redwheel.com/) and available in local languages where required. Waystone Management Company (Lux) S.A., or RWC as the global distributor, have the right to terminate the arrangements made for marketing RWC Funds in certain jurisdictions and to certain investors. Additional Information for Swiss Investors: This is an advertising document. Swiss Representative: FIRST INDEPENDENT FUND SERVICES LTD, Klausstrasse 33, CH-8008 Zurich. Swiss Paying Agent Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich. The Prospectus, the Articles of Association, the Key Investor Information Document (KIID), as well as the annual and semi-annual reports of the Fund may be obtained free of charge from the Swiss Representative. In respect of the Shares distributed in Switzerland, the place of performance is at the registered office of the Swiss Representative. The place of jurisdiction is at the registered office of the Swiss Representative or at the registered office or place of residence of the investor.