

City of London Investment Group PLC Shareholder Presentations

July 2018



CITY OF LONDON
Investment Group PLC

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Presentation Team



Barry Olliff, Chief Executive Officer and Chief Investment Officer

Barry has spent over 50 years in the investment trust sector, starting as a market maker with Denny Brothers in 1964 and moving in 1979 to the investment trust department of Laing & Cruikshank, where he became a director in 1984. Barry founded Olliff & Partners, an investment trust stockbroker, in 1987, the business from which City of London was founded in 1991.



Mark Dwyer, Director and Chief Investment Officer, EM CEF Group

Mark re-joined City of London in May 2012 and has over twenty one years investment experience. Prior to re-joining the Group, Mark spent eight years with Banco Commercial Portuguese as a Director in the Asset Management department. Mark initially joined City of London in 1995 and was a Portfolio Manager based in the UK, followed by the US office. He established City of London's Singapore Office in 2000 where he spent two years. Mark is now CIO of the EM CEF Group and is based in London. He holds a BA in economics and is a CFA Charterholder.



Thomas Griffith, Chief Operating Officer and Deputy CEO

Prior to joining City of London Group in 2000, Thomas Griffith held various positions in the institutional client division of The Vanguard Group including roles as both a Client Relationship Manager and a Marketing Executive. In 1986 he obtained a bachelor's degree in Corporate Finance and Investment Management from the University of Alabama.

Snapshot

An established specialist, growing fund management group with:

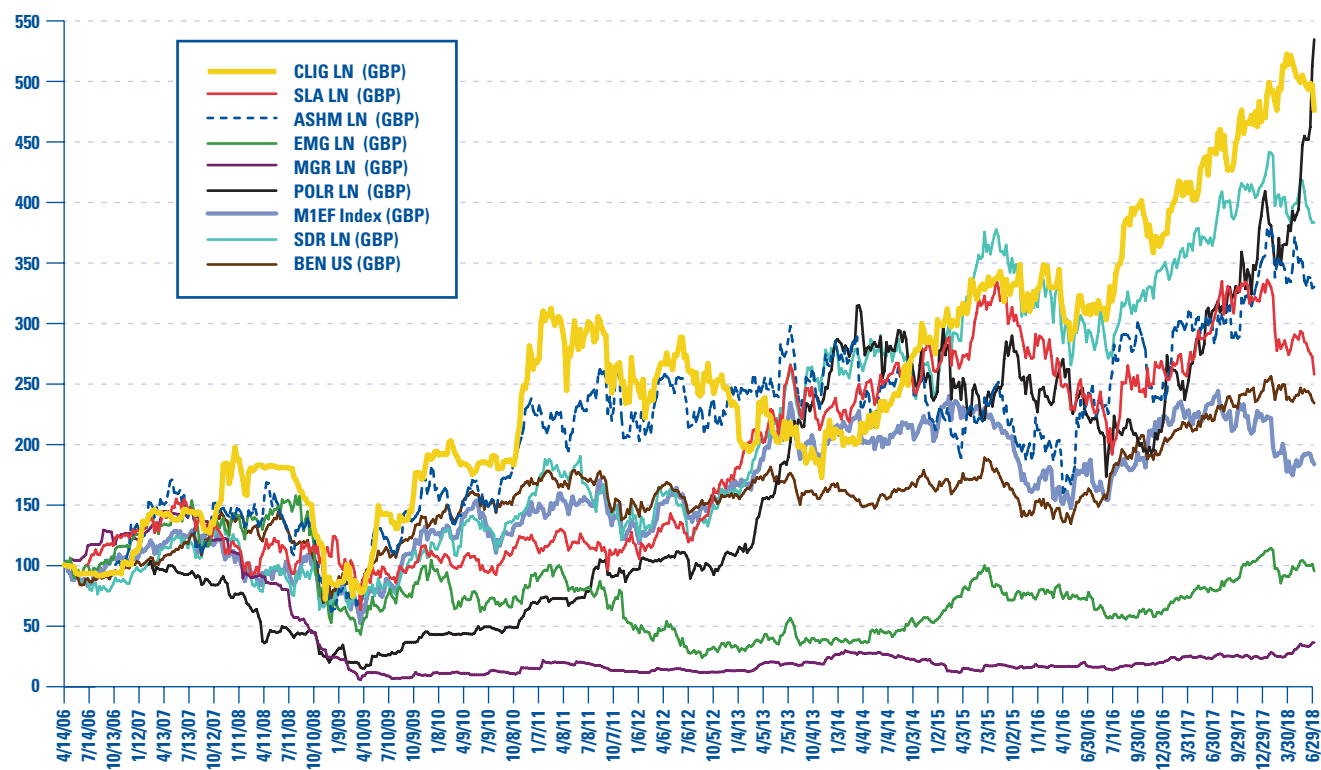
- ▶ \$5.1 billion (£3.9 billion) of funds under management at 30 June 2018
 - A stable institutional client base
- ▶ Offices in the US (East Coast and West Coast), London, Singapore and Dubai
 - Managing money using a team approach
- ▶ A leading CEF asset manager with a track record of outperformance over multiple market cycles
- ▶ Growth plans based on geographical/product diversification and an aversion to risk

. . . and an experienced, incentivised long-term team

Profitability

- ▶ Income currently accrues at a weighted average rate of c80 basis points, net of third party commissions
- ▶ Current run-rate for operating profit, before profit-share at 30% and an estimated EIP charge at 2%, is ~£1.5 million per month based upon current FuM and US\$/£ exchange (1.32)
- ▶ Estimated unaudited post-tax profit for the six months ended 30 June 2018 ~£10.1 million, which compares to £9.1 million for the equivalent period to 30 June 2017

CLIG Share Performance Since Listing vs. Peer Group



Past performance is no guarantee of future results.

Source: Bloomberg

The Three Stakeholders

- ▶ We believe that both our strategy and our objective should be to support the three stakeholders in our business:



Our responsibility is to keep these three stakeholders in balance - (avoid conflicts) and to ensure that each of their interests is safeguarded.

Our Strategy and Objectives

- ▶ Increase FuM from long term institutional investors
 - City of London's client base is, and always has been, overwhelmingly institutional
- ▶ Outperformance
 - Our job as an active manager is to add value over and above a relevant benchmark through an investment cycle which we define as four to five years
- ▶ Keep costs down
 - We keep costs down because we believe that the assets over which we provide stewardship are, by definition, not ours but are owned by CLIG shareholders
- ▶ Retain Staff
 - As shareholders would expect, in a firm that has always used a partnership approach, there is a very long term view taken regarding remuneration
- ▶ Remain open in our dealing with shareholders, available and accountable
 - We recognise that our shareholders (as well as our clients) have trusted us with their money

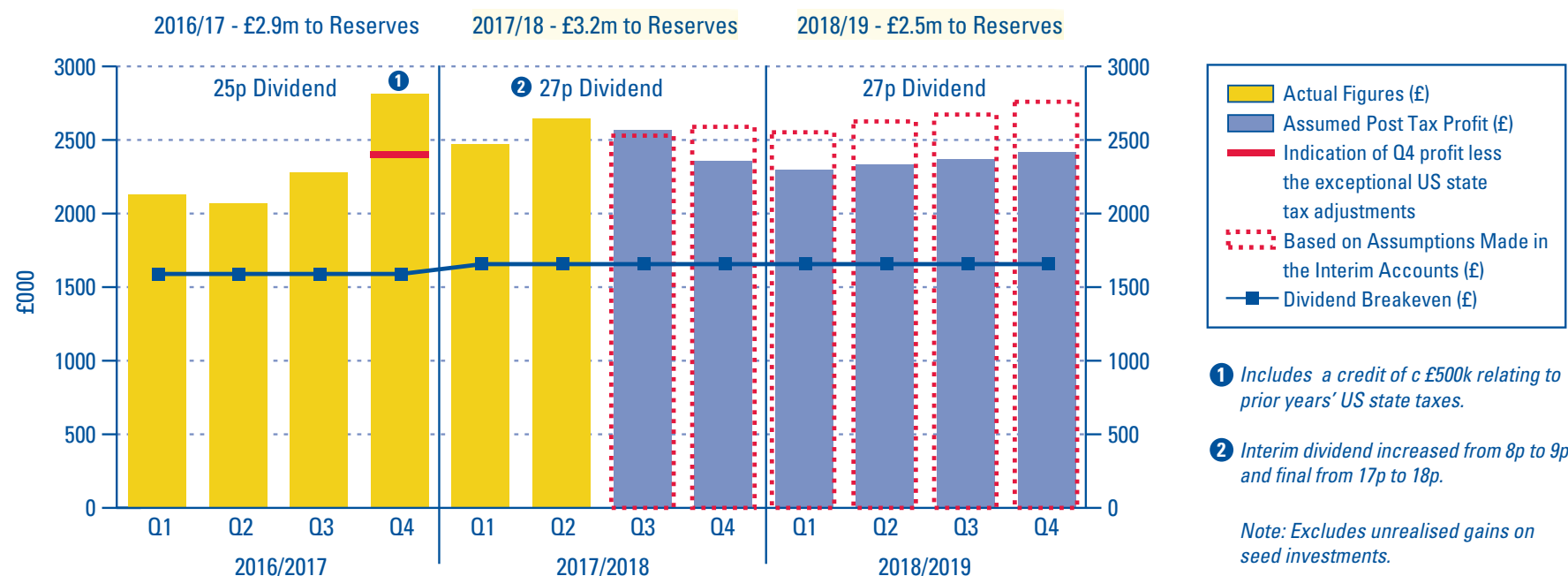
Employee Incentive Plan (EIP)

- ▶ It is an all employee plan, consistent with CLIG's team approach
- ▶ Strong employee take up, ~60%
- ▶ Shares will be purchased in the market, no dilution
- ▶ It is linked to the Group's risk adjusted profitability, hence performance related
- ▶ Will result in variable pay of cash and deferred shares
- ▶ Participation capped at 20% of individual annual bonus (may increase to 30% if headroom)
- ▶ Company will match participation
- ▶ Company contribution capped at 5% of pre-bonus, pre-tax operating profit until 2019/2020*
- ▶ Thereafter the awards will fall within the 30% profit-share limit
- ▶ Awards of Restricted Shares (RSAs) will be granted after final dividend for the year
- ▶ RSAs will vest 1/3 each year over a three year period
- ▶ Awards that vest attract a dividend equivalent payment related to vesting period
- ▶ Termination before normal vesting date:
 - RSAs funded by waived bonus to be repaid at the lower of: value at date of grant or date of forfeiture
 - Company funded shares are forfeited upon termination except "good leavers" receive a pro-rated amount
- ▶ Clawback the same as applicable to bonus

***Only in a year where the results support a minimum dividend payment of 24p**

CLIM Template – Not a Specific Forecast*

Dividend Cover – Actual and Assumed Over Three Financial Years



Key Assumptions:

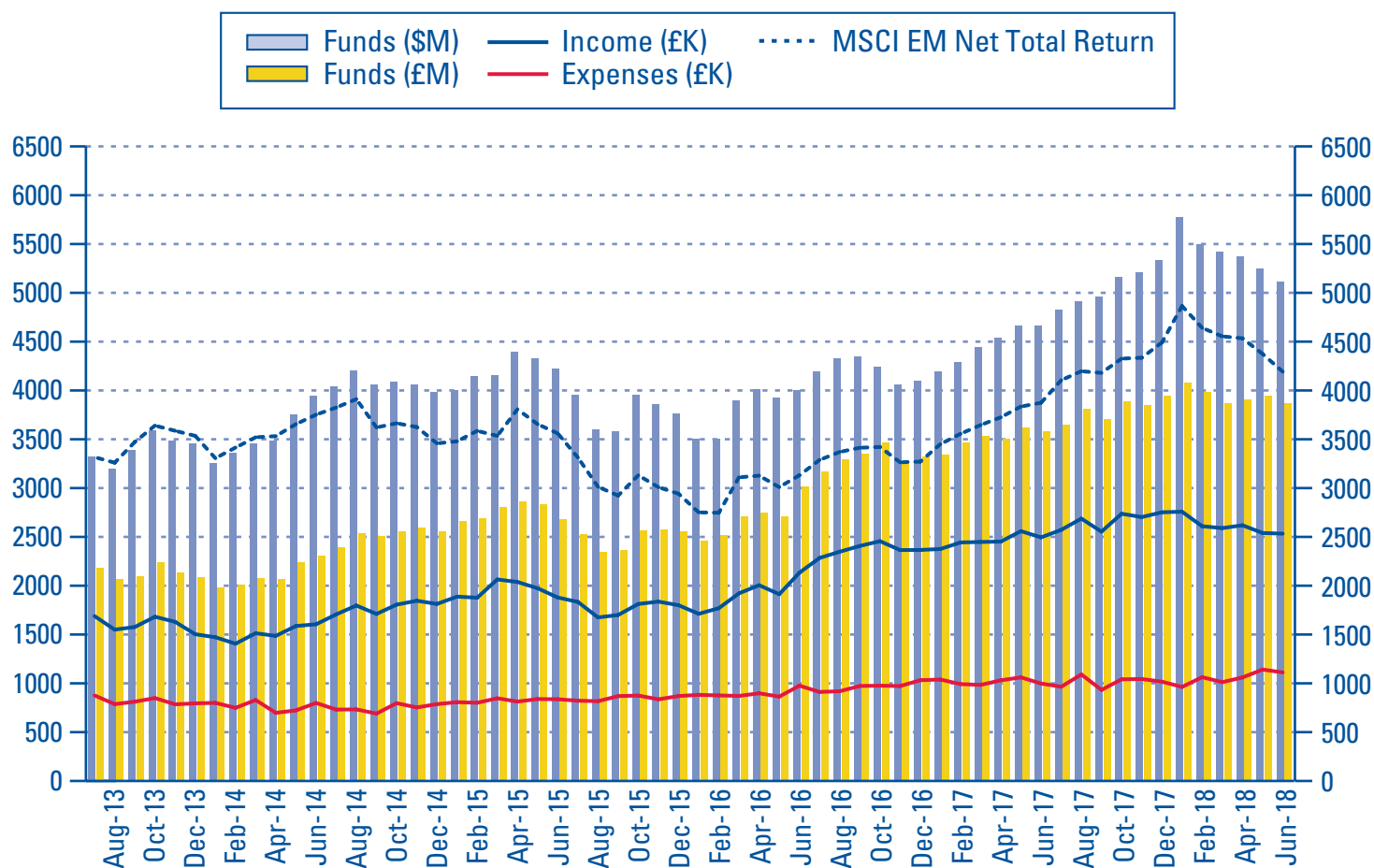
- Starting point Current FuM (June 2018)
- Net increase in 2018/2019 (straight-lined to June 2019):
 - emerging market CEF strategy US\$0m
 - non-emerging market CEF strategies US\$250m
- Operating margin adjusted monthly for change in product mix and commission run-off
- Market growth: 0%
- Increase in overheads: 3%
- EIP charge: 4% of operating profit
- Corporation tax based on an estimated average rate of 20%
- Exchange rate assumed to be £1/\$1.32 for entire period
- Number of CLIG Shares in issue (26.9m) less those held by the Employee Benefit Trust (1.5m) as at 30 June 2018

*Any forward-looking statements are based on certain factors and assumptions, which may prove incorrect, and are subject to risks, uncertainties and assumptions relating to future events, the Group's operations, results of operations, growth strategy and liquidity.

Relationship Between our Benchmark and FUM

Rolling 60 Months Funds Under Management and Profitability

(Excludes extraordinary items of income and expense)



Source: City of London Investment Management, MSCI

Results Summary

	30.06.17	31.12.17	30.06.18
Funds under Management (at period end)	\$4.7bn	\$5.3bn	\$5.1bn
Turnover	£31.3m	£17.1m	£33.9m
Commissions payable	(£1.4m)	(£0.6m)	(£1.2m)
Administrative expenses	(£12.8m)	(£6.6m)	(£13.6m)
Interest income	£0.0m	£0.0m	£0.1m
Investment gains	£0.1m	£0.1m	£0.2m
Profit-share	(£5.5m)	(£3.1m)	(£6.1m)
EIP charge	(0.1m)	(£0.3m)	(£0.5m)
Profit before tax	£11.6m	£6.6m	£12.8m
Profit after tax	£9.1m	£5.1m	£10.1m
Profit attributable to:			
Non-controlling interests	(£0.2m)	-	-
Equity shareholders	£9.3m	£5.1m	£10.1m
EPS:			
Basic	36.9p	20.2p	39.5p
Diluted	36.7p	20.0p	39.3p
Dividend:			
Interim	8.0p		9.0p
Final	17.0p		18.0p*

Diluted earnings per share are adjusted for shares held by the Employee Benefit Trust (currently 1.5m) upon which no dividends are paid.

*The final dividend for 2018 is subject to approval.

Note: Figures are unaudited

Dividend History

	2012-13		2013-14		2014-15		2015-16		2016-17		2017-18	
	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)
Interim	8p	1,996	8p	2,010	8p	1,985	8p	1,997	8p	2,027	9p	2,295
Final	16p	4,021	16p	3,975	16p	3,985	16p	4,021	17p	4,331	18p	4,568
Total	24p	6,017	24p	5,985	24p	5,970	24p	6,018	25p	6,358	27p	6,863
Profit attributable to shareholders		6,266		5,303		6,578		5,791		9,290		10,060
Cover Ratio		1.04		0.89		1.10		0.96		1.46		1.47

**The final dividend to be paid in October 2018 is subject to approval and therefore the cost is estimated, based upon the share register at 30 June.*

Note: Figures are unaudited

Income Statement

£'000	Year 2015-2016	Year 2016-2017	Year 2017-2018
Fee income	24,413	31,294	33,931
Net interest receivable / (payable)	40	(34)	55
Finder's commission	(1,515)	(1,445)	(1,160)
Custody & administration	(735)	(881)	(1,164)
Total net income	22,203	28,934	31,662
Costs:			
Human resources	6,896	7,547	7,476
Premises	680	735	754
Communications & IT	1,526	1,881	1,953
Business development	550	518	578
General	1,034	1,159	1,704
Total costs	10,686	11,840	12,465
Operating profit	11,517	17,094	19,197
Gain on investments	172	116	209
Profit-share	(3,720)	(5,519)	(6,094)
EIP charge	0	(101)	(520)
Pre-tax profit	7,969	11,590	12,792
Tax	(2,116)	(2,449)	(2,732)
Post-tax profit	5,853	9,141	10,060
Profit attributable to:			
Non-controlling interest	62	(149)	0
Owners of the Company	5,791	9,290	10,060

30% of operating profits (plus taxes).
 New share scheme introduced last year.
 Maximum cost per annum capped at 5% of
 operating profit. This year < 3% (2016/17: <1%)

Note: Figures are unaudited

Balance Sheet

£'000	30-Jun 2016	30-Jun 2017	30-Jun 2018	
Investments	2,200	1,086	233	← Principally seed investments in own funds
Fixed / Intangible assets	633	921	742	
Cash	10,151	13,937	19,704	← Significant cash balances and no borrowings
Debtors & prepayments	5,044	5,858	5,833	
Creditors & accruals	(3,122)	(3,403)	(4,801)	← Includes profit-share provision
Current & deferred taxes	(785)	(318)	(245)	
Net assets	14,121	18,081	21,466	
Share capital/premium	2,525	2,525	2,525	
Retained earnings	15,594	19,070	22,537	
Capital redemption reserve	23	23	23	
FX reserve	75	109	88	← Translation difference on US fixed/intangible assets
Fair value reserve	8	166	13	← Unrealised gain/(loss) on investments (Net of deferred tax)
	18,225	21,893	25,186	
EBT investment	(5,299)	(4,356)	(4,699)	← Investment in own shares via loan to Employee Benefit Trust, which is repaid to the company as options are exercised and EIPs vest
Share option reserve	563	443	373	
EIP reserve	0	101	606	
Total shareholders' funds	13,489	18,081	21,466	
Non-controlling interest	632	0	0	
Total equity	14,121	18,081	21,466	

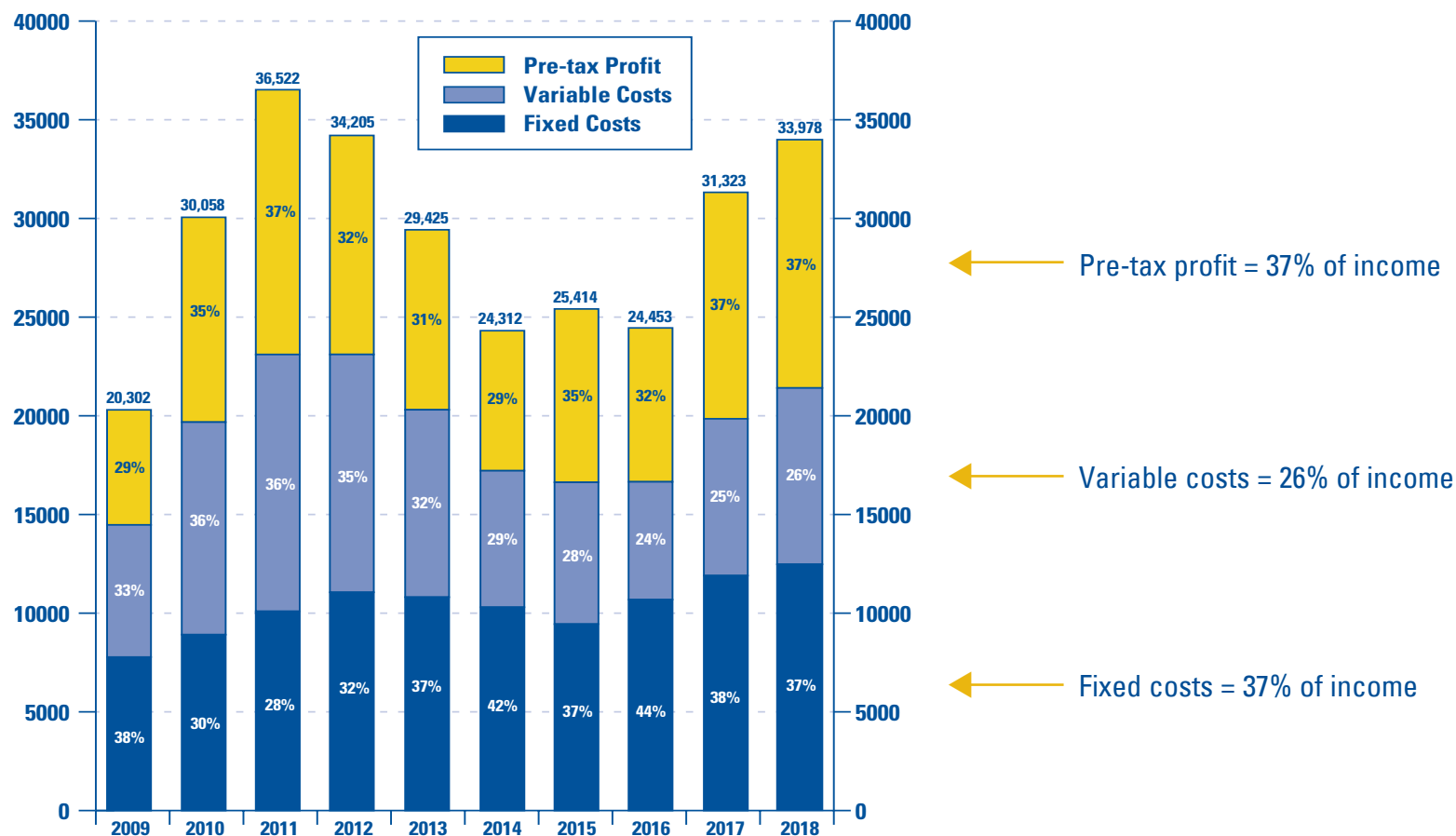
Note: Figures are unaudited

Cash Flow

£'000	2015-16	2016-17	2017-18	
Pre-tax profit	7,969	11,590	12,792	
Less: Interest / investment income	(212)	(82)	(264)	
Adjustment for non-cash items	161	(124)	2,295	← Depreciation/EIP charge/changes in debtor + creditor balances/fx translation
Operating cash flow	7,918	11,384	14,823	
Tax (paid) / recovered	(2,095)	(2,764)	(2,819)	
Dividends	(5,982)	(6,048)	(6,626)	
Tangible asset investment	(137)	(485)	(137)	
Exercise of options	533	1,133	638	
Net interest income	40	(35)	47	
Seed investments - net	23	1,075	978	← Seed investments in own funds
(Purchase)/Sale of other investments	0	(156)	(156)	
Purchase of shares for cancellation	(376)	(128)	0	
Purchase of shares for the EBT	0	(190)	(981)	
Increase/(decrease) in cash	(76)	3,786	5,767	
Opening cash	10,227	10,151	13,937	
Closing cash	10,151	13,937	19,704	

Note: Figures are unaudited

Fixed Versus Variable Costs



Note: Excludes extraordinary items of income and expense

Financials – Exchange Rates

Post-Tax Profit: Illustration of US\$/£ rate effect:

FUM \$bn:	4.0	4.5	5.0	5.5	6.0
US\$/£	Post-Tax, £m:				
1.25	7.0	8.7	10.4	12.1	13.8
1.30	6.6	8.2	9.9	11.5	13.2
1.35	6.2	7.8	9.4	11.0	12.6
1.40	5.9	7.5	9.0	10.5	12.1
1.45	5.6	7.1	8.6	10.1	11.5

Assumptions:

1. Average net fee 80 bps
2. Annual operating costs £4.5m (UK) plus \$9.5m (US) plus S\$1m (SG) (£1 = S\$1.8)
3. Profit-share 30%
4. EIP 2%
5. Average tax of 21%

Note: The above table is intended to illustrate the approximate impact of movement in US\$/£, given an assumed set of trading conditions. It is not intended to be interpreted or used as a profit forecast.

Strategic Positioning

- ▶ Most fund managers encourage the cult of the Individual. CoL fosters a Team Approach to Fund Management.
- ▶ Many fund managers focus on gathering assets. CoL focuses on Investment Performance.
- ▶ Certain fund managers charge performance fees. CoL does not.
- ▶ Some fund managers focus on Retail. CoL focuses on long term Institutional Investors.
- ▶ A few fund managers have encouraged hot money. CoL avoids it.

Philosophy - The Six Drivers

- ▶ Focus on profits, margins, costs
- ▶ Investment performance drives our business
- ▶ Technology leverages our capabilities
- ▶ Aversion to risk in the management of our business
- ▶ Diversification based upon core competencies
- ▶ Proactive client servicing increases client retention

Investment Performance – Key Strengths

- ▶ Excellent investment performance over 25 years
- ▶ Specialist investment expertise in Closed-End Funds – Emerging Markets, Developed Markets, Frontier Markets and Opportunistic Value
- ▶ A proven risk averse culture and prudent investment process
- ▶ International presence and expertise
- ▶ Low turnover of staff and loyal client base
- ▶ Operational gearing
- ▶ 73% of staff have an equity interest (shareholding/ESOP/EIP)

Global View - Local Expertise

- ▶ Offices in London (1991), US (Coatesville, 1995 and Seattle, 2015), Singapore (2000) and Dubai (2007)
- ▶ Of an Investment Team totaling eighteen
 - Seventeen have been with CLIM for in excess of five years, of those fourteen have worked for CLIM for in excess of ten years
 - Fund managers have an average tenure of sixteen years
- ▶ Diverse staff - over 17 languages or dialects spoken
 - Afrikaans
 - Arabic (7 dialects)
 - English
 - French
 - German
 - Gujarati
 - Italian
 - Korean
 - Mandarin
 - Portuguese
 - Punjabi
 - Spanish
 - Swedish

Performance

Global Emerging Markets SMA Composite

▶ Annual Returns[†]: Calendar Years

	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**	Inception*
Global EM SMA	+19.59%	+37.81%	+34.01%	+50.81%	-54.36%	+79.27%	+23.20%	-20.56%	+17.89%	+2.05%	+1.77%	-10.67%	+7.78%	+35.34%	-7.15%	+295.09%
S&P Super BMI	+22.73%	+41.83%	+25.60%	+46.41%	-55.11%	+76.12%	+20.86%	-19.17%	+18.28%	+0.32%	-0.87%	-12.39%	+9.65%	+36.39%	-6.47%	+256.33%
Out/Underperformance	-3.14%	-4.02%	+8.41%	+4.40%	+0.75%	+3.15%	+2.34%	-1.39%	-0.39%	+1.73%	+2.64%	+1.72%	-1.87%	-1.05%	-0.68%	+38.76%

The Global Emerging Markets SMA Composite contains \$279.9 million in assets, representing 3 segregated portfolios and represents approximately 5.5% of the total assets under City of London's management as at June 30, 2018. Returns are time weighted and are net of fees on a trade date valuation basis. Returns are quoted in US dollar terms. The benchmark was changed from the S&P Emerging BMI Plus on January 1, 2009 to better reflect the investment strategy of the Fund. The S&P Emerging BMI Plus was the successor index to the S&P/IFC Global Composite Index, the benchmark for the Fund prior to September 1, 2008, which has been discontinued. The current benchmark is the S&P Emerging Frontier Super Composite Net Total Return BMI (S&P Super BMI).

*Inception February 2004

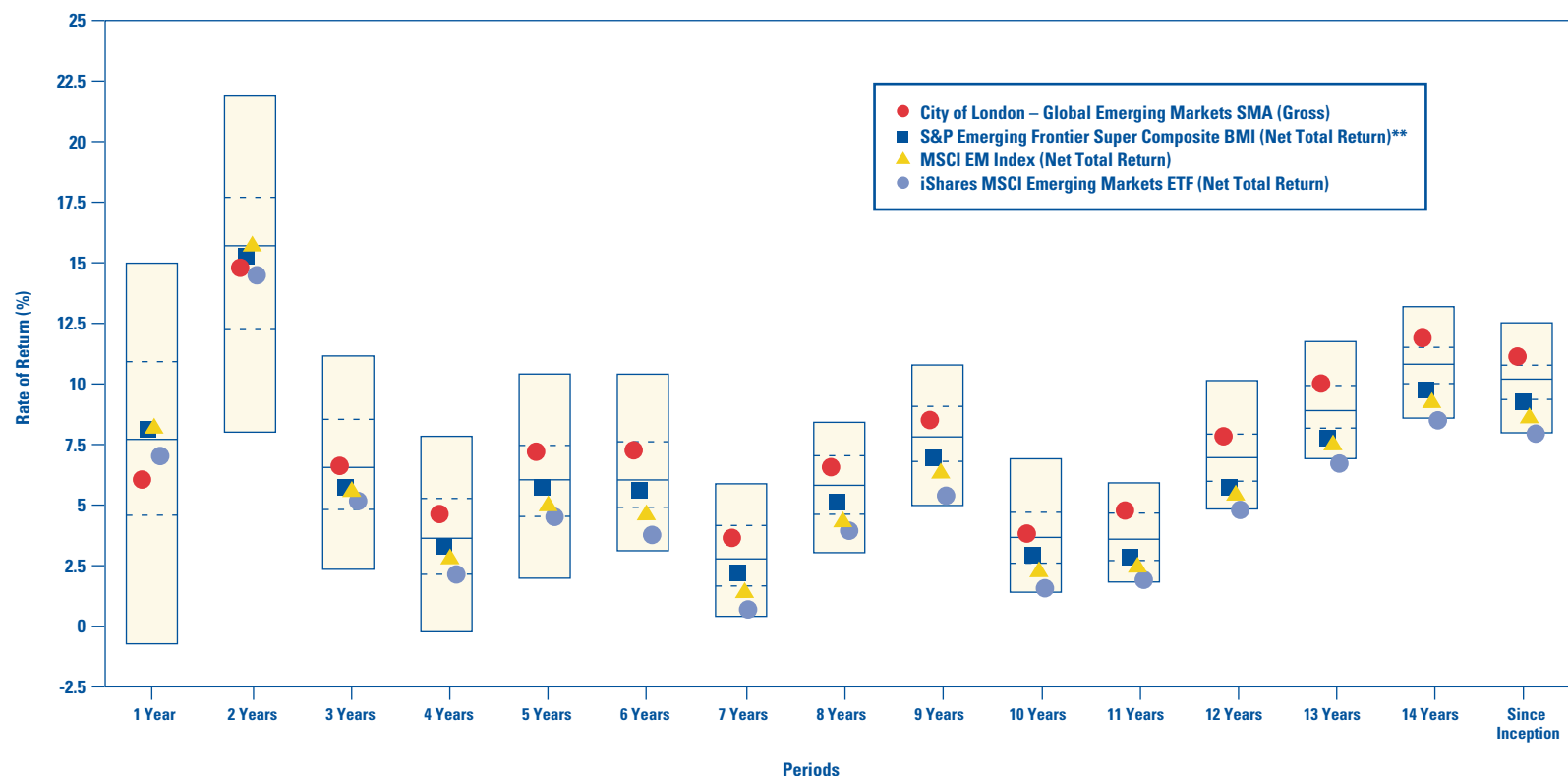
**Values as at June 30, 2018.

†Net returns. Past performance is no guarantee of future results.

Source: City of London Investment Management, S&P

Global Emerging Markets SMA Composite Ending June 30, 2018

According to Evestment Alliance*



*61.0% of the universe has been updated through Quarter 2, 2018. Inception February 2004.

**The benchmark was changed from the S&P Emerging BMI Plus on January 1, 2009 to better reflect the investment strategy of the Fund. The S&P Emerging BMI Plus was the successor index to the S&P/IFC Global Composite Index, the benchmark for the Fund prior to September 1, 2008, which has been discontinued. The current benchmark is the S&P Emerging Frontier Super Composite Net Total Return BMI (S&P Super BMI). The MSCI EM Net TR Index and iShares MSCI Emerging Markets ETF are shown for comparative purposes.

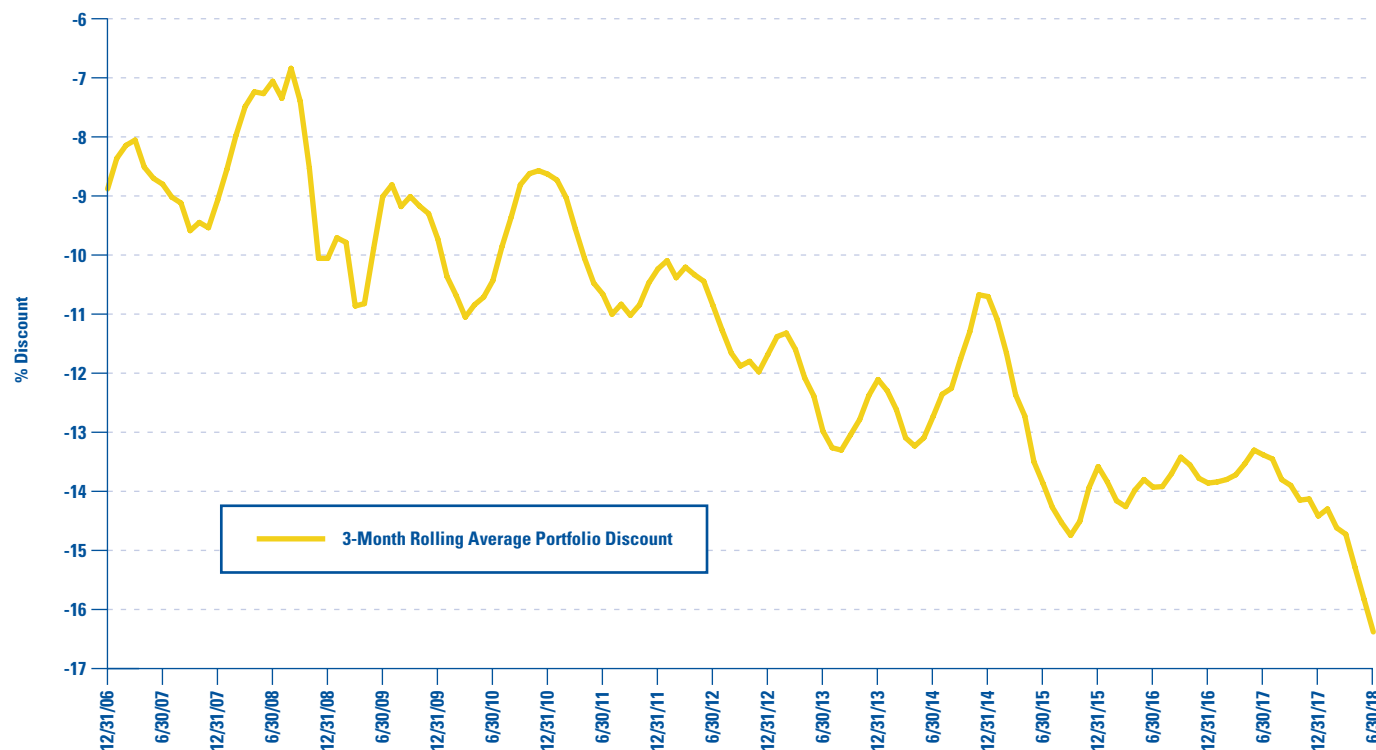
Past performance is no guarantee of future results.

Source: eASE Analytics System, S&P, MSCI, Bloomberg

Representative Account

3-Month Rolling Average Portfolio Discount

December 2006 to June 2018

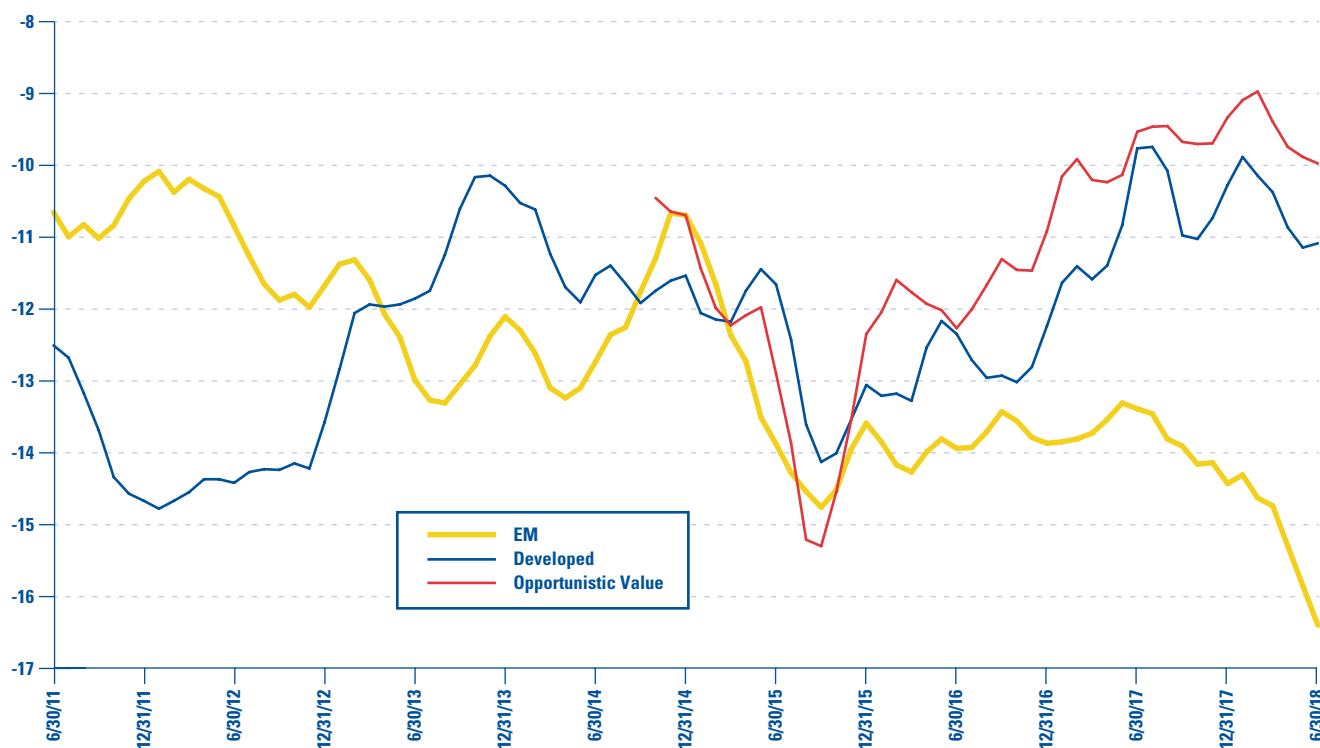


Source: City of London Investment Management

Representative Accounts

3-Month Rolling Average Portfolio Discounts by Strategy

June 2011 - June 2018



Source: City of London Investment Management

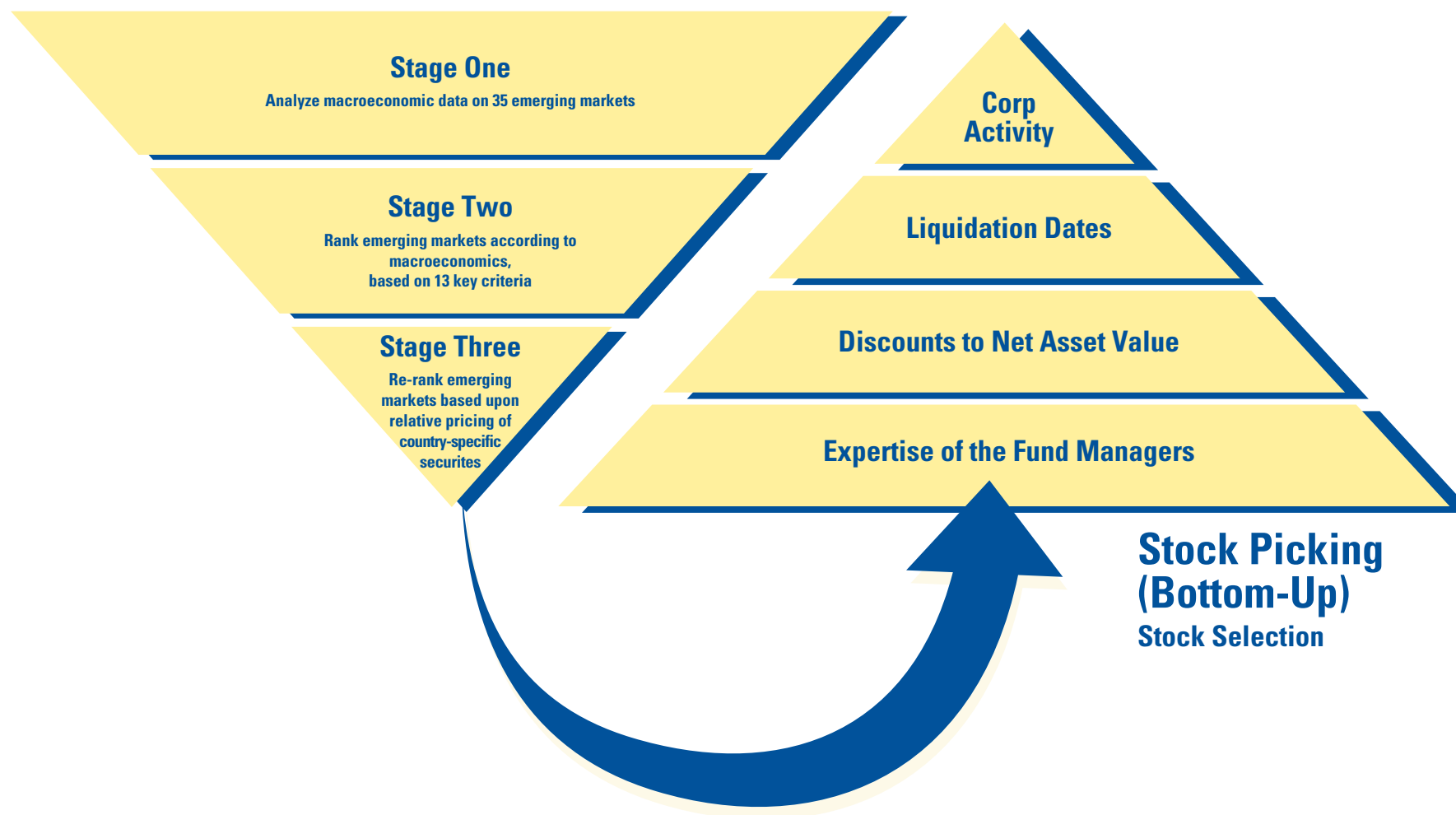
Investment Performance – Process

- ▶ Monthly Macroeconomic overview
-
- ▶ Analytical research on approximately 390 emerging market securities listed in 30 financial centres around the world
 - ▶ Real-time monitoring of estimated NAVs
 - ▶ Maintenance of proprietary database including fund performance data since inception
 - ▶ Extensive manager due diligence

The Investment Process (CEFs)

Macro Process (Top-Down)

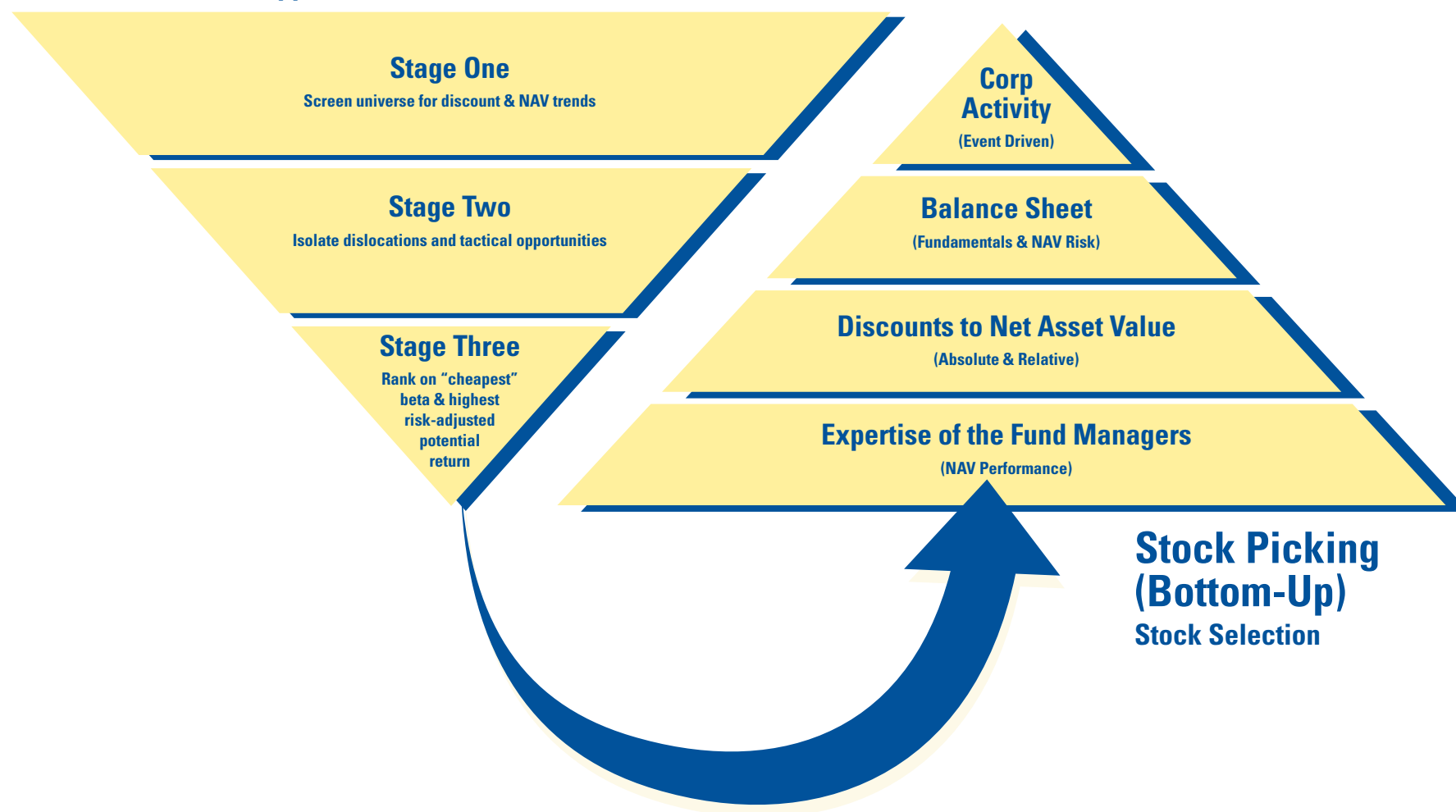
Country Allocation



The Investment Process (Customised CEF Solutions)

Macro Process (Top-Down)

Dislocations & Opportunities



The Importance of Corporate Governance for Closed-End Funds

- ▶ Our long-standing views are captured in our “Statement on Corporate Governance and Voting Policy for Closed-End Funds”
 - First Published in 1999; currently in its Tenth Edition
- ▶ The Board of Directors is responsible for the investment company
 - The quality and independence of the Board is of key importance
 - The Board hires and evaluates the Investment Manager
 - Discount control management is the responsibility of the Board
 - Effective Corporate Governance leads to improved tracking by controlling discounts
 - Corporate activity protects Shareholder value
- ▶ Board initiatives over the last seven years* have returned significant value to investors
 - Open-Endings: \$11.0 billion
 - Tender Offers: \$4.4 billion
 - Capital Gains Distributions: \$1.4 billion
 - Liquidations: \$1.3 billion
 - **Total:** **\$18.1 billion**

** Includes transactions announced for 2018*

The Importance of Corporate Governance for Closed-End Funds

Fund	Date	Corporate Action	Universe Reduction (millions)
Yu Ze Fund	May-11	Open Ended	\$81.9
Greater China Fund	Jul-11	Tender Offer for 20% of shares outstanding at 98% of NAV	\$68.6
India Fund Inc	Aug-11	Tender Offer for 5% of shares outstanding at 98% of NAV	\$54.7
Ibero-America Fund Inc	Sep-11	Liquidation	\$60.7
Shelton Greater China Fund	Oct-11	Open Ended	\$62.6
MS Asia Pacific Fund	Nov-11	Tender Offer for 5% of shares outstanding at 98% of NAV	\$17.7
Central Europe Russia and Turkey Fund Inc	Dec-11	Open Market Buyback	\$16.6
Prosperity Voskhod	Dec-11	Tender Offer for 7.5% of shares outstanding at 98% of FAV	\$21.5
BlackRock Latin American Investment Trust*	Jan-12	Tender Offer for 5% of shares outstanding at 98% of NAV	\$18.5
Eastern European Trust*	Jan-12	Tender Offer for 7.5% of shares outstanding at 98% of FAV	\$14.0
Asia Tigers Fund Inc	Jan-12	Tender Offer for 5% of shares outstanding at 98% of NAV	\$2.2
Baring Emerging Europe*	Feb-12	Tender Offer for 20% of shares outstanding at 97% of NAV	\$65.0
Korea Equity Fund Inc	Feb-12	Tender Offer for 10% of shares outstanding at 98% of NAV	\$11.2
JPMorgan Asian Investment Trust	Feb-12	Tender Offer for 5% of shares outstanding at 98% of FAV	\$25.0
India Fund Inc (ii)	Mar-12	Tender Offer for 5% of shares outstanding at 98% of NAV	\$49.2
Singapore Fund Inc	Mar-12	Tender Offer for 25% of shares outstanding at 99% of NAV	\$35.2
Taiwan Fund Inc	Jun-12	Tender Offer for 50% of shares outstanding at 99% of NAV	\$144.0
Asia Tigers Fund Inc (ii)	Jul-12	Tender Offer for 5% of shares outstanding at 98.5% of NAV	\$2.7
Latin American Discovery Fund Inc	Jul-12	Tender Offer for 15% of shares outstanding at 98.5% of NAV	\$18.4
Morgan Stanley Eastern Europe Fund Inc	Jul-12	Tender Offer for 15% of shares outstanding at 98.5% of NAV	\$10.0
MS Emerging Markets Fund Inc	Jul-12	Tender Offer for 15% of shares outstanding at 98.5% of NAV	\$38.0
MS India Investment Fund Inc	Jul-12	Tender Offer for 15% of shares outstanding at 98.5% of NAV	\$56.0
Turkish Investment Fund Inc	Jul-12	Tender Offer for 15% of shares outstanding at 98.5% of NAV	\$17.0
China Fund Inc	Jul-12	Tender Offer for 25% of shares outstanding at 99% of NAV	\$130.0
Malaysia Fund Inc	Jul-12	Liquidation	\$67.0
Eastern European Trust (ii)*	Jul-12	Tender Offer for 7.5% of shares outstanding at 99% of FAV	\$14.0
Da Cheng Selective Fund	Jul-12	Open Ended	\$571.0
East Capital Explorer AB	Aug-12	Open Market Buyback	\$5.1
Renaissance Russia Infrastructure Equities	Aug-12	30% in-specie distribution	\$50.0
HSBC China Dragon Fund*	Sep-12	Tender Offer for 40% of shares outstanding at 99.8% of NAV and mandate change to 100% China A-share exposure	\$129.0
India Fund Inc (iii)	Sep-12	Tender Offer for 5% of shares outstanding at 98% of NAV	\$49.1
MS Frontier Emerging Markets Fund	Sep-12	Open Ended	\$85.8
Prosperity Voskhod (ii)	Sep-12	Tender Offer for 7.5% of shares outstanding at 98% NAV	\$20.0
Qatar Investment Fund*	Dec-12	Tender Offer for 20% of shares outstanding at 99% of FAV	\$43.0
JPMorgan Asian Investment Trust (ii)	Dec-12	Tender Offer for 25% of shares outstanding at NAV	\$129.0
EOS Russia	Jan-13	Open Market Buyback	\$61.0
East Capital Explorer AB (ii)	Jan-13	Tender Offer for 5% of shares outstanding at NAV	\$19.0
Asia Tigers Fund Inc (iii)	Jan-13	Tender Offer for 5% of shares outstanding at 98% of NAV	\$2.4
Greater China Fund (ii)	Feb-13	Tender Offer for 70% of shares outstanding at 99% of NAV	\$225.0
Central Europe Russia and Turkey Fund Inc (ii)	Mar-13	Tender Offer for 5% of shares outstanding at 98% of NAV	\$25.0

*Denotes security with conditional discount control mechanism. Roman numerals indicate more than one corporate governance event in the same security.

Source: City of London Investment Management

The Importance of Corporate Governance for Closed-End Funds (Continued)

Fund	Date	Corporate Action	Universe Reduction (millions)
Henderson Asian Growth Trust	Mar-13	Tender Offer for 50% of shares outstanding at NAV	\$248.0
Advance Developing Markets Trust	Mar-13	Tender Offer for 15% of shares outstanding at 1% discount to FAV	\$58.0
CCB Principal Advance Power Fund	Mar-13	Open Ended	\$688.9
Kai Yuan Fund	Mar-13	Open Ended	\$295.5
Jin Tai Fund	Mar-13	Open Ended	\$288.5
BlackRock Latin American Investment Trust (iii)*	Apr-13	Tender Offer for 5% of shares outstanding at 98% of NAV	\$13.0
India Fund Inc (iv)	Apr-13	Tender Offer for 5% of shares outstanding at 98% of NAV	\$46.9
Xing Hua Fund	Apr-13	Open Ended	\$320.1
An Xin Fund	Jun-13	Open Ended	\$339.3
JPMorgan Asian Investment Trust (iii)	Jun-13	Tender Offer for 5% of shares outstanding at 98% of FAV	\$18.7
Renaissance Russia Infrastructure Equities (ii)	Jun-13	Distribution of 90% of fund assets	\$95.0
Asia Tigers Fund Inc (iv)	Jul-13	Tender Offer for 5% of shares outstanding at 98% of NAV	\$2.5
Eastern European Trust (iii)*	Jul-13	Tender Offer for 7.5% of shares outstanding at 99% of FAV and adoption of 5 year fixed life	\$13.1
Yu Yang Fund	Jul-13	Open Ended	\$290.0
World Trust Fund	Aug-13	Tender Offer for 15% of shares outstanding at 98% of FAV	\$26.8
Impax Asia Environmental Markets	Aug-13	Liquidation	\$310.0
Invesco Asia Trust*	Aug-13	Tender Offer for 15% of shares outstanding at 98% of FAV	\$51.4
Thai Fund Inc	Sep-13	Tender Offer for 15% of shares outstanding at 98.5% of NAV	\$51.7
Central Europe Russia and Turkey Fund Inc (iii)	Sep-13	Tender Offer for 5% of shares outstanding at 98% of NAV	\$19.8
India Fund Inc (v)	Sep-13	Tender Offer for 5% of shares outstanding at 98% of NAV	\$41.9
Thai Capital Fund Inc	Sep-13	Liquidation	\$43.4
Prosperity Voskhod (iii)	Sep-13	Compulsory partial redemption of shares at NAV	\$54.0
BlackRock Latin American Investment Trust (iii)*	Sep-13	Tender Offer for outstanding convertible bonds at par less costs	\$64.0
Damille Investments Ltd	Oct-13	Liquidation	\$55.0
Turkish Investment Fund Inc (ii)	Nov-13	Tender Offer for 10% of shares outstanding at 98.5% of NAV	\$10.2
MS India Investment Fund Inc (ii)	Nov-13	Tender Offer for 10% of shares outstanding at 98.5% of NAV	\$33.8
Fondul Proprietea*	Nov-13	Tender Offer for 4.4% of shares outstanding at 85% of NAV	\$180.0
JPMorgan Asian Investment Trust (iv)	Dec-13	Tender Offer for 5% of shares outstanding at 98% of FAV	\$19.0
Advance Developing Markets Trust (ii)	Dec-13	Tender Offer for 10% of shares outstanding at 99% of FAV	\$30.0
Pu Hui Fund	Dec-13	Open Ended	\$306.5
Qatar Investment Fund (ii)*	Jan-14	Tender Offer for 10% of shares outstanding at 99% of FAV	\$22.3
Asia Tigers Fund Inc (v)	Jan-14	Tender Offer for 5% of shares outstanding at 98% of NAV	\$2.3
Fubon Fund	Feb-14	Open Ended	\$156.0
Thai Fund Inc (ii)	Feb-14	Capital Gains Distribution of 39.5% of NAV	\$108.0
Aberdeen EM Smaller Cos. Opportunities Fund	Feb-14	Capital Gains Distribution of 38% of NAV	\$49.7
Central Europe Russia and Turkey Fund Inc (iv)	Mar-14	Tender Offer for 5% of shares outstanding at 98% of NAV	\$15.7
India Fund Inc (vi)	Apr-14	Tender Offer for 15% of shares outstanding at 98% of NAV	\$128.0
MS Asia Pacific Fund (ii)	Apr-14	Tender Offer for 20% of shares outstanding at 98.5% of NAV	\$63.4
Pacific Horizon Investment Trust*	Apr-14	Tender Offer for 5% of shares outstanding at 98% of FAV	\$6.9
Tong Yi Fund	Apr-14	Open Ended	\$324.9
Tai He Fund	Apr-14	Open Ended	\$338.5
Jing Hong Fund	Apr-14	Open Ended	\$290.5
Han Sheng Fund	Apr-14	Open Ended	\$323.5

*Denotes security with conditional discount control mechanism. Roman numerals indicate more than one corporate governance event in the same security.

Source: City of London Investment Management

The Importance of Corporate Governance for Closed-End Funds (Continued)

Fund	Date	Corporate Action	Universe Reduction (millions)
Prosperity Voskhod (iv)	May-14	Compulsory partial redemption of shares at NAV	\$50.0
An Shun Fund	May-14	Open Ended	\$513.2
Xing He Fund	May-14	Open Ended	\$445.6
Thai Fund Inc (iii)	Jun-14	Capital Gains Distribution of 5.4% of NAV	\$9.1
DPF India Opportunities Fund	Jun-14	Open Ended	\$85.0
World Trust Fund (ii)	Jun-14	Tender Offer for 15% of shares outstanding at 98% of FAV	\$29.6
Advance Developing Markets Trust (iii)	Jun-14	Tender Offer for 10% of shares outstanding at 99% of NAV	\$27.3
Yu Long Fund	Jun-14	Open Ended	\$403.9
Pu Feng Fund	Jun-14	Open Ended	\$392.0
Central Europe Russia and Turkey Fund Inc (v)	Jun-14	Tender Offer for 5% of shares outstanding at 98% of NAV	\$15.1
Tian Yuan Fund	Jul-14	Open Ended	\$456.0
Jin Xin Fund	Nov-14	Open Ended	\$546.4
Pacific Horizon Investment Trust (ii)*	Nov-14	Tender Offer for 5% of shares outstanding at 98% of FAV	\$10.7
Tong Sheng Fund	Dec-14	Open Ended	\$549.3
Fondul Proprietatea (ii)*	Dec-14	Tender Offer for 6% of shares outstanding at a fixed price equivalent to a 6.5% discount	\$234.0
Templeton Dragon Fund, Inc	Dec-14	Capital Gains Distribution of 15% of NAV	\$129.1
Han Xing Fund	Jan-15	Open Ended	\$490.8
Jing Fu Fund	Jan-15	Open Ended	\$506.3
Thai Fund Inc (iv)	Jan-15	Capital Gains Distribution of 26% of NAV	\$44.3
Pacific Alliance Asia Opportunity Fund	Jan-15	Share buyback at 5% discount to Dec month-end NAV	\$29.5
Henderson Value Trust	Jan-15	Tender Offer for 10% of shares outstanding at 98% of NAV	\$20.0
Prosperity Voskhod (iv)	Jan-15	Compulsory partial redemption of shares at NAV	\$25.5
Qatar Investment Fund (iii)*	Feb-15	Tender Offer for 10% of shares outstanding at 99% of FAV	\$23.0
Morgan Stanley Eastern Europe Fund Inc (ii)	Mar-15	Liquidated	\$51.1
Pacific Horizon Investment Trust (iii)*	Apr-15	Tender Offer for 5% of shares outstanding at 98% of FAV	\$11.1
Central Europe Russia and Turkey Fund Inc (vi)	Jul-15	Tender Offer for 5% of shares outstanding at 98% of NAV	\$9.4
Morgan Stanley China A Share Fund	Sep-15	Capital Gains Distribution of 15% of NAV	\$105.0
Templeton Dragon Fund (ii)	Sep-15	Capital Gains Distribution of 10% of NAV	\$80.5
Pacific Horizon Investment Trust (iv)*	Oct-15	Tender Offer for 5% of shares outstanding at 98% of FAV	\$9.0
Templeton Russia Fund	Nov-15	Liquidated	\$55.1
Templeton Dragon Fund (iii)	Dec-15	Capital Gains Distribution of 8% of NAV	\$60.2
Korea Fund Inc	Dec-15	Capital Gains Distribution of 10% of NAV	\$32.2
Morgan Stanley China A Share Fund (ii)	Dec-15	Capital Gains Distribution of 26% of NAV	\$186.4
Templeton Emerging Markets Fund	Dec-15	Capital Gains Distribution of 10% of NAV	\$23.0
China Fund Inc (ii)	Dec-15	Capital Gains Distribution of 9% of NAV	\$23.5
Qatar Investment Fund (iv)*	Dec-15	Tender Offer for 14% of shares outstanding at 99% of FAV	\$25.0
HSBC China Dragon Fund (ii)*	Feb-16	Tender Offer for 20% of shares outstanding at 99.6% of NAV	\$52.0
Pacific Horizon Investment Trust (v)*	Apr-16	Tender Offer for 5% of shares outstanding at 98% of FAV	\$8.1
Fondul Proprietatea (iii)*	Jul-16	Tender Offer for 5.2% of shares outstanding at RON 0.842 per share	\$121.0
Tong Qian Fund	Aug-16	Open Ended	\$281.4
HSBC China Dragon Fund (iii)*	Aug-16	Tender Offer for 20% of shares outstanding at 99.6% of NAV	\$44.0

*Denotes security with conditional discount control mechanism. Roman numerals indicate more than one corporate governance event in the same security.

Source: City of London Investment Management

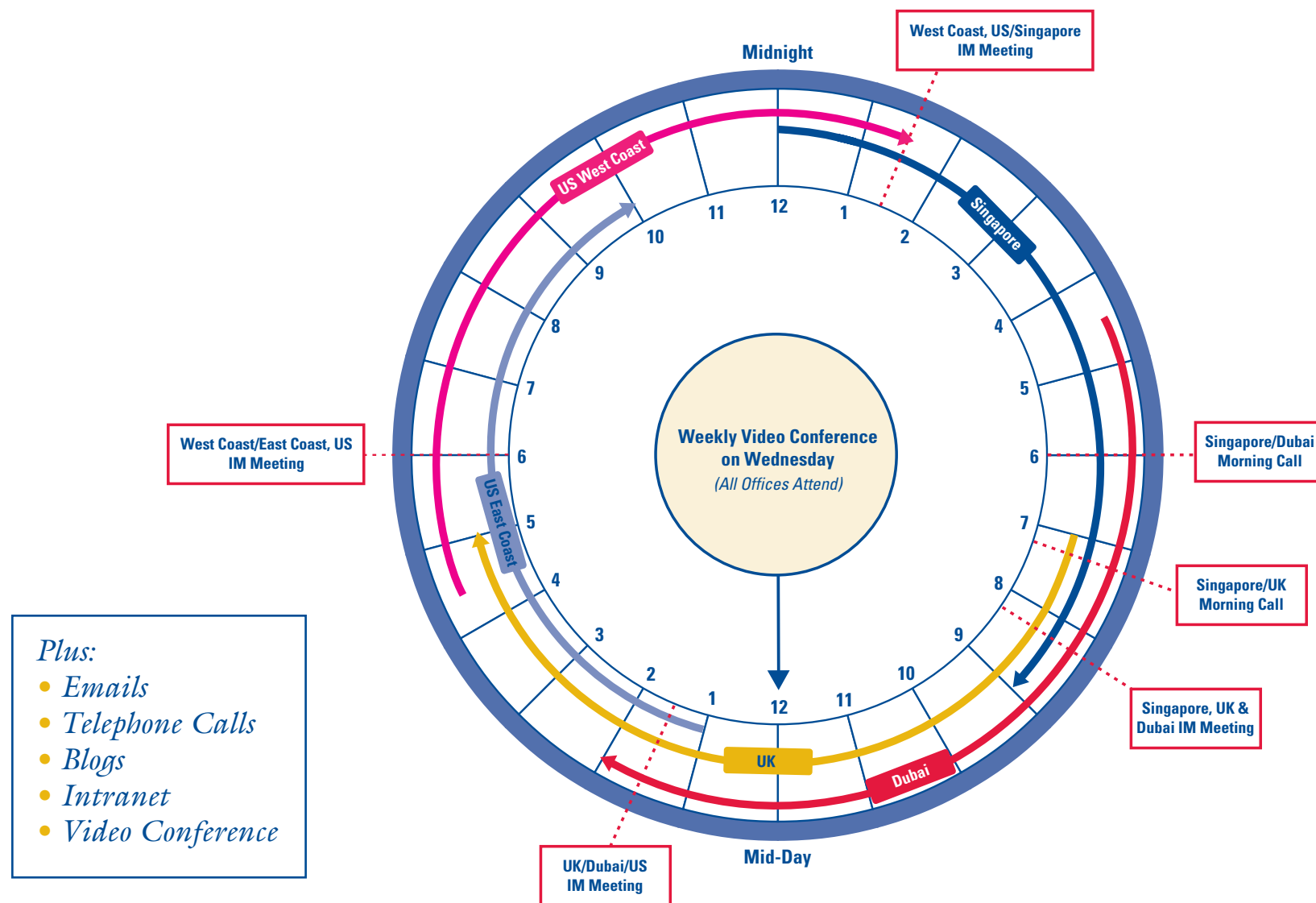
The Importance of Corporate Governance for Closed-End Funds (Continued)

Fund	Date	Corporate Action	Universe Reduction (millions)
Templeton Dragon Fund (iv)	Sep-16	Capital Gains Distribution of 6% of NAV	\$53.5
Pacific Horizon Investment Trust (vi)*	Oct-16	Tender Offer for 5% of shares outstanding at 98% of FAV	\$9.2
Lazard World Trust Fund (iii)	Oct-16	Tender Offer for 10% of shares outstanding at 98% of FAV	\$16.9
Baring Emerging Europe (ii)*	Jan-17	Tender Offer for 10% share outstanding at 97.5% of FAV	\$16.0
Hong Yang Fund	Mar-17	Open Ended	\$291.1
Ke Rui Fund	Mar-17	Open Ended	\$367.5
Fenghe Fund	Mar-17	Open Ended	\$438.9
Qatar Investment Fund (v)*	Mar-17	Tender Offer for 12% shares outstanding at 99% of FAV	\$17.0
Terra Capital*	Mar-17	Tender Offer for 10% of shares outstanding at 97% of FAV	\$6.1
Fondul Proprietatea (iv)*	Mar-17	Tender Offer for 6.4% of shares outstanding at RON 0.91 per share	\$150.8
Fondul Proprietatea (v)*	Mar-17	Special dividend paid at RON 0.05 per share	\$120.0
Great Wall JiuJia Fund	Mar-17	Open Ended	\$279.2
HSBC China Dragon Fund (iv)*	Apr-17	Tender offer for 20% of shares outstanding at 99.8% of NAV	\$39.0
Korea Fund Inc. (ii)	May-17	Tender offer for 10% of shares outstanding at 98% of NAV	\$28.3
JPMorgan China Region Fund	May-17	Liquidated	\$108.8
Korea Equity Fund	May-17	Liquidated	\$86.4
MS India Investment Fund Inc (iii)	Jun-17	Capital Gains Distribution of 2% of NAV	\$10.4
Invesco Asia Trust (ii)*	Aug-17	Tender offer for 15% of shares outstanding at 98% of FAV	\$48.0
Templeton Dragon Fund (v)	Sep-17	Capital Gains Distribution of 7.5% of NAV	\$58.5
Qatar Investment Fund (vi)*	Dec-17	Tender Offer for 10% shares outstanding at 99% of FAV	\$10.2
Asia Pacific Fund	Dec-17	Capital Gains Distribution of 2.1% of NAV	\$3.3
Asia Tigers Fund (vi)	Dec-17	Capital Gains Distribution of 2.3% of NAV	\$1.1
Chile Fund Inc	Dec-17	Capital Gains Distribution of 2.1% of NAV	\$2.0
India Fund Inc. (vii)	Dec-17	Capital Gains Distribution of 8.9% of NAV	\$79.6
Korea Fund Inc (iii)	Dec-17	Capital Gains Distribution of 7.7% of NAV	\$21.3
MS China A Share Fund	Dec-17	Capital Gains Distribution of 4.2% of NAV	\$25.9
MS India Investment Fund (iv)	Dec-17	Capital Gains Distribution of 10% of NAV	\$61.7
Templeton Emerging Markets Fund (ii)	Dec-17	Capital Gains Distribution of 4.5% of NAV	\$15.2
Thai Fund, Inc. (v)	Dec-17	Capital Gains Distribution of 3.7% of NAV	\$4.9
First Trust/Aberdeen Emerging Opportunity Fund	Dec-17	Capital Gains Distribution of 2% of NAV	\$1.8
Aberdeen Israel Fund	Dec-17	Capital Gains Distribution of 2.2% of NAV	\$1.9
Turkish Investment Fund	Dec-17	Liquidated	\$39.7
Mexico Fund	Dec-18	Return of Capital Distribution of 0.7% of NAV	\$2.0
HSBC China Dragon Fund (v)*	Jan-18	Tender offer for 20% of shares outstanding at 99.7% of NAV	\$36.1
Thai Fund Inc. (vi)	Jan-18	Liquidated	\$126.0
Fondul Proprietatea (vi)*	Feb-18	Tender offer for 13% of shares outstanding at RON 0.935 per share	\$225.0
Mexico Fund (ii)	Mar-18	Return of Capital Distribution of 0.8% of NAV	\$2.3
Huaan Zhizeng Selected Flexible Mixed Fund	Mar-18	Open Ended	\$185.0
Aberdeen Emerging Markets Investment Company (iv)	Apr-18	Tender offer for 10% of shares outstanding at 96.5% of NAV	\$42.3
MS India Investment Fund (v)	Jun-18	Capital Gains Distribution of 7% of NAV	\$31.2
Aberdeen Emerging Markets Equity Income Fund	Jun-18	Tender Offer for 32% of NAV	\$224.9
Aberdeen Emerging Markets Equity Income Fund (ii)	Jun-18	Capital Gains & Special Cash Distributions of 9% of NAV	\$97.2
			Total as of 30-Jun-2018 (millions)
			\$17,961
Genesis Emerging Markets Fund	Jun-18	Tender offer proposed for 10% of shares outstanding at 96.5% of NAV. Payment tbc	\$136.0
HSBC China Dragon Fund (vi)*	Jun-18	Tender offer proposed for 20% of shares outstanding at 99.8% of NAV. Payment expected by Sept '18	\$22.0
			Projected Total (millions)
			\$18,119

*Denotes security with conditional discount control mechanism. Roman numerals indicate more than one corporate governance event in the same security.

Source: City of London Investment Management

Communication and the 24 Hour Trading and Management Clock (GMT)



Factors that May Affect EM CEF's Flows

- ▶ US Institutions significantly underweight
- ▶ Wide SWAD
- ▶ Significant Corporate Activity
- ▶ Reduced correlation good for EM CEF NAVs
- ▶ Significant Dispersion between MXEF and other EM Benchmarks
 - S&P Super BMI – +31.8%: MSCI EM Index – +27.7%*

**As at 30 June 2018, 5 Year Rolling Cumulative Return*

Source: MSCI, S&P

ESG – Environmental, Social and Governance

- ▶ CLIG is a signatory to Principles for Responsible Investment (PRI) and UK Stewardship Code
- ▶ For Shareholders
 - Environmental initiatives introduced with respect to carbon footprint, waste reduction, recycling and energy efficiency
 - Social sphere encompasses employee welfare and development and community support
 - Highest standards of Governance applied to all business dealings and employee conduct
 - Measurement and tracking via Annual Report
 - Objective is to apply ESG principles within existing CLIG framework
- ▶ For Clients
 - Using Sustainalytics research to incorporate ESG into the investment process
 - Measuring the ESG characteristics of CEF portfolios vs relevant benchmarks
 - Encourage better transparency of ESG characteristics from CEFs
 - Objective remains to deliver superior investment performance – no alteration to the CLIM investment process

Investment Performance – Valuation Drivers

- ▶ China is rebalancing
- ▶ EMs have significant Foreign Exchange Reserves
- ▶ They trade at low (11.3x) forward (12 months) P/Es*
- ▶ Currencies are generally not now pegged to the US\$
- ▶ Increasing intra EM and global trade
- ▶ Commodity prices have stabilised
- ▶ EPS tailwind from improved global growth
- ▶ Politics and Protectionism remain key

**Source: MSCI, Bloomberg (30 June 2018)*

Use of Technology – Investment Management

- ▶ CoL has consistently sought to introduce integrated technology solutions:
 - DART – A recently released custom research database with improved performance and functionality from its predecessor
 - The use of Charles River allows for significant economies of scale
 - Development of internal programming capabilities
- ▶ This supports:
 - Focus on relative investment performance
 - Five centre team approach, which allows 24 hour trading, reduces risk and assists with disaster recovery
 - Consistent improvement in investment process via use of training and technology
 - Investment performance achieved with low volatility vs. benchmarks
 - Introduction of multiple dashboards used for review/analysis of data

Use of Technology – Marketing/Client Servicing/Performance & Attribution

- ▶ This allows...
 - CRM database to track marketing opportunities with client prospects and consultants
 - Client servicing database – client data including performance
 - Proprietary attribution database
 - (country allocation / currency / NAV performance / discount moves)
 - Investment operations across international offices, 24 hours a day
 - FIX trade messaging

Aversion to Risk

- ▶ Business
 - Relative-return fees provide more stable revenues than absolute-return performance fees
 - New offices need to become profit centres
- ▶ Counter Party
 - No stock lending
 - Comprehensive counter party review semi-annually
 - All trades cash against delivery
 - CLIM does not handle client monies (all CoL fund assets held by custodians and are audited)
 - No bad debts

...risk management needs to be part of a company's culture

Growth Plans


- ▶ Increase range of investment markets to be covered, building upon our core expertise
- ▶ Diversification products now 18% of AUM
 - Developed Closed-End Funds
 - Customised CEF Solutions
 - Frontier Markets
 - Opportunistic Value
- ▶ Continue to pursue expansion of client base outside of the United States.
 - Europe
 - Far East
 - Middle East
- ▶ Recruiting, encouraging and retaining team talent
- ▶ Actively seeking acquisition opportunities

...while maintaining low risk profile and lean cost base

Economies of Scale

Macro Products

- Frontier Markets
- Developed Markets
- Emerging Markets



CITY OF LONDON
Investment Management Company Limited

Frontier Markets Semi-Annual Outlook

August 2017

Overview

Tighter Times Ahead

Frontier markets (FM) have benefited from the favourable backdrop of ultra-loose monetary policy and easy financial conditions in the past few years. Financing costs for many countries have fallen significantly since the global financial crisis. This has enabled many countries, with sound fundamentals or otherwise, to fund debt at favourable rates and thereby post healthy growth. However, with a more hawkish stance by the major central banks, there is a significant risk that funding costs move up sharply in the next 6-12 months. This is likely to leave those countries with a substantial debt stock and/or refinancing needs particularly vulnerable. At worst, global tightening could lead to macroeconomic instability, but FM countries that fit into this category are more the exception than the rule. As a result, we expect tightening conditions to impact some FM, but the vast majority should continue to benefit from favourable domestic and external demand conditions.

Overall, balance sheet dynamics are healthy. The spectrum in FM ranges from those with large current account surpluses and foreign assets, such as Kenya, to those with widening twin deficits (Kenya, Romania) and high financing needs (Nigeria). Many countries, including Kenya, are posting wider current account deficits as infrastructure build-out requires increased imports, while others have witnessed a rise in foreign investment in an attempt to ramp up production, as has been the case in Vietnam's electronics sector.

Meanwhile, political risk in FM is higher than it was six months ago. This ranges from the constitutional election in Kenya to August yield, which is more than a percentage point above that of EM. This is a remarkable given strong profitability, with a profit margin of 15.7% to EM, against 9.2% for EM, and an EBITDA margin of 31%, compared to 19% for EM. The geographical diversification of the FM index also provides some protection against regional risk, with the largest region (Asia) accounting for only 31% of the index. We expect these characteristics to support FM returns.

Our allocation is more cautious than its months ago as political risks are higher in many places, including Pakistan and Argentina. We reduce our overweight to both countries, but ultimately retain a positive outlook. Conversely, better policies in Nigeria lead us to reduce the extent of our underweight, but we are below benchmark due to continued economic vulnerabilities. Overall, our allocation is closer to benchmark than earlier in the year as the backdrop of a short-term correction, pushing values to higher yields and a mix-out of 'risk' assets, leaves FM more vulnerable. However, we would view such a sell-off, particularly if underperformance, as a buying opportunity given overall favourable economic fundamentals, combined with reform-centric administrations and attractive market returns.




Chart 1: FM Valuations

Frontier Markets (FM) have benefited from the favourable backdrop of ultra-loose monetary policy and easy financial conditions in the past few years. Financing costs for many countries have fallen significantly since the global financial crisis. This has enabled many countries, with sound fundamentals or otherwise, to fund debt at favourable rates and thereby post healthy growth. However, with a more hawkish stance by the major central banks, there is a significant risk that funding costs move up sharply in the next 6-12 months. This is likely to leave those countries with a substantial debt stock and/or refinancing needs particularly vulnerable. At worst, global tightening could lead to macroeconomic instability, but FM countries that fit into this category are more the exception than the rule. As a result, we expect tightening conditions to impact some FM, but the vast majority should continue to benefit from favourable domestic and external demand conditions.

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CITY OF LONDON
Investment Management Company Limited

Developed Markets Quarterly Outlook

November 2017

Overview

World Economy: It's Been Great So Far

Market performance during Q3 (August-October) has again been strong, with the MSCI ACWI total return index up 4.5%, bringing the year-to-date return to an impressive 19.7%. To a large extent, strong market performance mirrored improving economic activity around the world. Indeed, global growth is currently running at an estimated 3.6%, with a full 75% of countries experiencing above-trend growth. A recovery that originally started in the US has become increasingly synchronised as the European economy gained momentum. Japan recorded its strongest bout of growth in years and even China showed a faster extent than many had feared at the beginning of the year.

Nevertheless, investors appear to be weary with the current rally, wondering when and what will end it. It is true that with eight years running, the rally is unusually long and valuations in the US are unusually high, when measured by cyclically-adjusted P/E. The pivotal role of the technology sector is further strengthening market participants' view of a repeat of the dotcom bubble. But compared to that earlier period, the current run-up of the tech sector has not been unduly fast. Aside from the high valuations, investors may feel uneasy due to the relative absence of more scalable portfolio flows into equity markets, and of credit flows in particular. This could be either a sign of a lack of buy into the very outlook or a sign that the rally has further legs.

To be sure, there is no shortage of risks. On the political front, the picture has not improved significantly, but investors seem to be ignoring the negatives. In the US, President Trump continues to shock and unsettle, while not ratcheting up any legislative achievement. The latest project, the tax reform plan, is already running into difficulties, not least because of Republican wary of endorsing an increasingly unpopular President. Indeed, President Trump has generated the lowest popularity rating of any President at this point in his tenure in recent polls. In Europe, Germany faces the difficult task of building a legitimate government coalition, while enthusiasm for President Macron appears to be already cooling in France. Elsewhere, Silvio Berlusconi is discussing a comeback at the Italian elections, the Far Right is on the verge of joining the government in Austria and the recent negotiations appear to be heading for a cliff.

On the economic front, there remains the risk of a collapse of NAFTA or of the collapse of trade war more broadly given the belligerent rhetoric from the US. Similarly, the appointment of Jay Powell to the helm of the Federal Reserve represents a vote for continuity, but also puts an uncertain non-economic in charge during any future crisis situation. Finally, not least because of China's declared slowdown, demand for oil has remained strong, pushing the price up 30% from the June trough, to the highest level in over two years. This, together with rising fuel prices, could weigh on household purchasing power and could bear the seeds for a future slowdown. Indeed, lower food and energy prices as had been an important component of the earlier upswing, but now threaten to reverse. With China's deceleration also deepening, this will likely combine for lower growth in 2018.

Finally, there is a risk of policy mistake. Central banks are looking to undo their extraordinarily accommodative monetary stance, motivated more by financial stability conditions and the perceived need to ease out future room for policy manoeuvre than an imminent rise in prices. Both policymakers and market participants may have underestimated potential growth for some time, exposing inflation to pick up as unemployment falls. However, workers who were thought to have left the workforce are now returning to work, often on part-time or part-time contracts and exercise downward pressure on wages. Were authorities to tighten policy in response to a labor market shift that was thought to be structural but now turns out to be cyclical, they risk snuffing out the recovery.


Market Strategy

Increased growth acceleration, a maturing US recovery and a shift towards policy normalization, together with some building risks, provide the backdrop for our country allocation:

- We retain a neutral allocation to the US where the risk of legislative setback remains high. But if tax reform is passed and implemented, there is a risk of overstimulating the economy, leading to a rise in inflation and yields across the curve (given the embedded nature of its tax cuts).
- We remain overweight the Eurozone, where the recovery is at an early stage and is accelerating, while the ECB maintains monetary support.
- We move Japan to overweight on the back of PM Abe's strong political mandate, the gathering economic momentum, ultra-loose monetary conditions and still attractive valuations.
- We upgrade Australia to overweight and strong growth, stable inflation, low monetary policy and attractive valuations despite a potential China slowdown.
- We keep our allocation to emerging markets neutral, given the run-up to date and the strong yield environment. However, we do not see any crisis catalyst for EM.

support. This applies not just to EM as a whole, but also reflects the increasingly 'moderated' growth contribution from the US, Europe and Japan, which underpins a sustained recovery in trade volumes. What is more, markets have continued to bet heavily on the technology sector, which is relatively insulated from policy interference and more reflective of cyclical prospects. Asian markets in particular have benefited from this trend as well as higher credit interest in the corporate discretionary sector.

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CITY OF LONDON
Investment Management Company Limited

Emerging Markets Quarterly Outlook

October 2017

Overview

Emerging Markets: Wobbling but not Tipping Over

Equities in emerging markets (EM) posted solid gains of 7.9% in Q3, following a 3% return in Q2 and losing very little to date performance to an impressive 27.8%. However, the rally has become less even than in the first half of the year as both early August and mid-September witnessed sharp, albeit short-lived, corrections. These factors potentially placed a risk: 1) the still uncertain outlook for the US economy and, accordingly, US monetary policy; 2) uncertainty associated with the US presidency; 3) the rise in geopolitical tensions on the Korean peninsula. In addition, after a long run, some investors chose to take profits in August, triggering the first weekly outflow since March.

The US continues to enjoy robust momentum in activity, notably in consumer sentiment, retail sales and labour market data. True, the hurricanes in September provided a temporary blow to the payroll series, but indications are that growth growth will rebound in October. The key disappointment that is holding the Fed back from more decisive action remains the relative absence of inflation at this stage in the business cycle. Accordingly, the Fed focused on the 'sustainable uncertainty' ahead in July, warned of 'moving too gradually' in September and seemed to turn more dovish again in October when it stressed the 'data dependency' of its decision. Each time in emphasis moved right to short term rates, which together with the announcement to shrink the balance sheet, produced higher long term rates and shook market sentiment towards risk assets including emerging markets. It is fixed income or equities.

Secondly, the US presidency continues to generate an unabated flow of media activity, whether because of President Trump's callous remarks in the wake of the hurricanes, his inactivity following the Las Vegas shooting, the elimination of subsidies to health insurance companies through executive order (undermining Obamacare), rising tensions with his own administration (in particular the Chief of Staff and the Secretary of State) and the use of private email servers by his daughter and son-in-law. The President's dark mood and erratic behaviour has culminated in a notable lack of legislative achievement since the inauguration. Importantly, this includes the much-broadcast tax reforms, which we once again saw unveiled, although in unchanged form and as short on detail as previously. President Trump intends to provide only a general outline, preferring to leave it to Congress to work out the details.

In the same vein, President Trump has failed to rise in the increasingly provocative behaviour of North Korean dictator Kim Jong Un who increased the pace of missile tests (including two 1000 km across Japan) and claimed to have derailed a leadership bench. Instead, the President has countered the North's leadership threats with his own aggressive and belligerent rhetoric.

While these developments have rattled EM equities at various times, strengthening growth prospects have provided a bedrock of

Market Strategy

In recognition of these developments, our country allocation remains geared towards growth, but you need to expect changes in valuations. Falling inflation, accelerating growth and firmer commodity prices led us to upgrade Russia to overweight, off the menu so in light of its perennially cheap valuation. On the other hand, valuations for India have remained high even as the economy has successfully slowed and the much-handled reform process has hit some speed bumps with the current implementation of the Goods and Services Tax (GST) and the demonetisation move. We thus downgraded India on a neutral basis to reward for now. Brazil too is benefitting from decelerating inflation and accelerating growth. But while the ongoing unfolding of several emerging market privatisation programs opens the downside, we thus move our Brazil allocation up to neutral. Finally, South Korea is undergoing a re-examination of its policy framework with President Moon implementing a new pro-growth agenda aimed at shoring up income and job opportunities for the lower middle class. But while valuations remain attractive, recurrent geopolitical tensions provide for increased volatility of Korean stocks, threatening to quickly wipe out any gains, even over prolonged periods of calm. We thus change our overweight allocation to neutral.

Chart 1: EM Sector Performance, YTD %























Chart 1: EM Sector Performance, YTD %

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... Significant economies of scale.

Business Diversification Product Map as of June 2018

Institutional Segregated Accounts	 			  
	    	 		  
				
	Emerging Market CEFs	Frontier Funds	Developed CEFs	Customized CEF Solutions

*Formerly Emerging Markets Country Trust

Client Accounts

	31/5/2013 (\$m)	30/6/2014 (\$m)	30/6/2015 (\$m)	30/6/2016 (\$m)	30/6/2017 (\$m)	30/6/2018 (\$m)
European Accounts:						
World Markets Umbrella Fund	181	125	105	108	145	150
Segregated accounts	83	55	49	71	69	60
Total	264	180	154	179	214	210
US Accounts:						
Commingled products - EM CEFs	2,406	2,429	2,266	1,952	2,160	2,264
Segregated accounts - EM CEFs	769	991	1,168	1,230	1,560	1,494
Emerging Markets Plus	34	38	40	36	68	61
Natural Resources*	14	5	2	0	0	0
Developed CEF	60	75	78	51	154	437
Other US Accounts (China, Frontier, Opportunistic Value, PE)	40	67	301	386	345	482
Total	3,323	3,605	3,855	3,655	4,287	4,738
Other accounts:	126	159	202	171	160	159
Total FUM	3,713	3,944	4,211	4,005	4,661	5,107

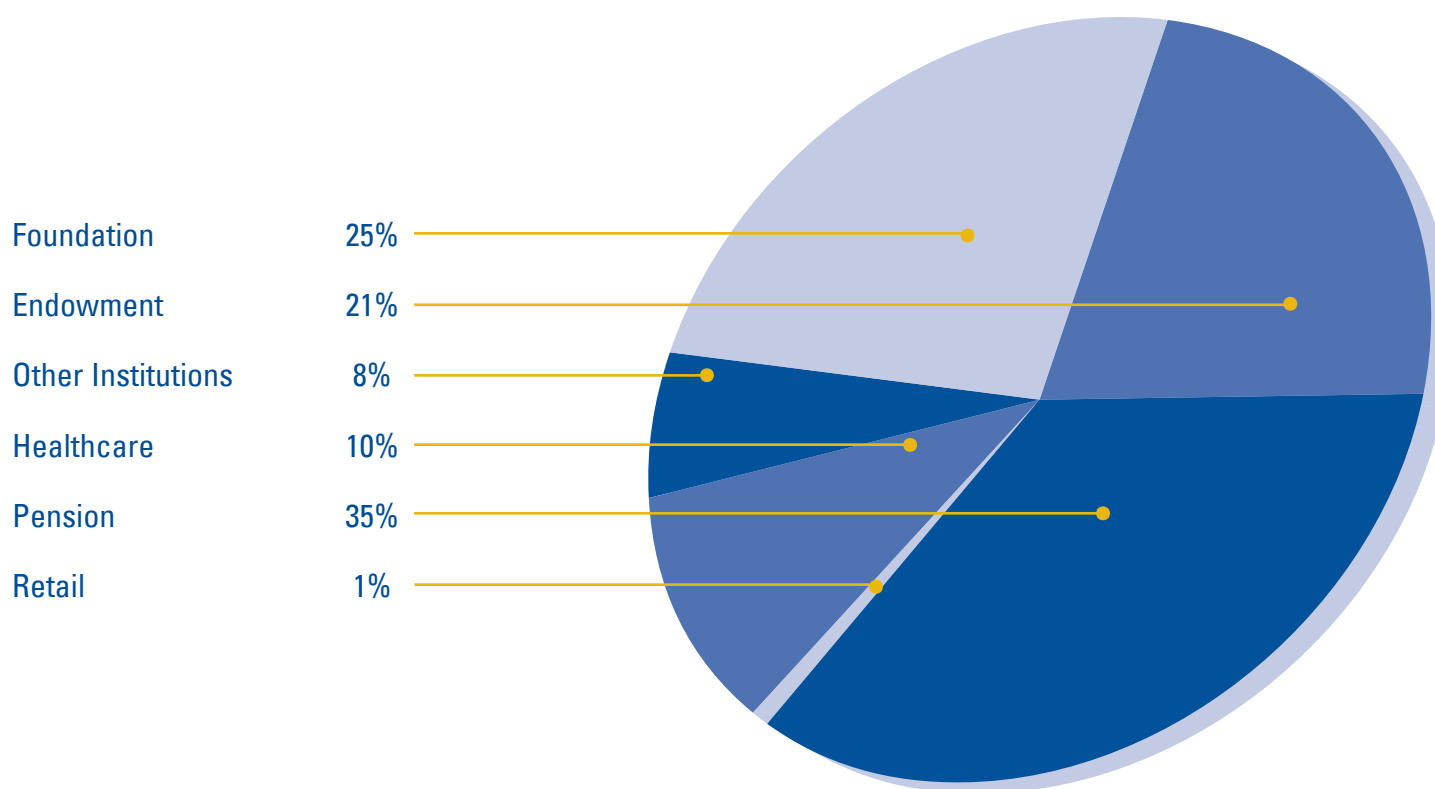
*Account closed as of February 2016.

Assets by Strategy

	Funds Under Management (\$mn)				Strategy Index	
	31-Mar	30-Jun (estimate)	% inc / dec	Net Flows		% inc / dec
Emerging Markets	4,634	4,207	-9%	-88	MSCI EM	-7.96%
Developed Markets	433	481	11%	48	MSCI ACWI	0.53%
Opportunistic Value	150	174	16%	21	ACWI/Barclays Global Agg	-1.09%
Frontier Markets	202	245	21%	65	MSCI Frontier	-15.19%
Total FUM	5,419	5,107		46		

Client Type*

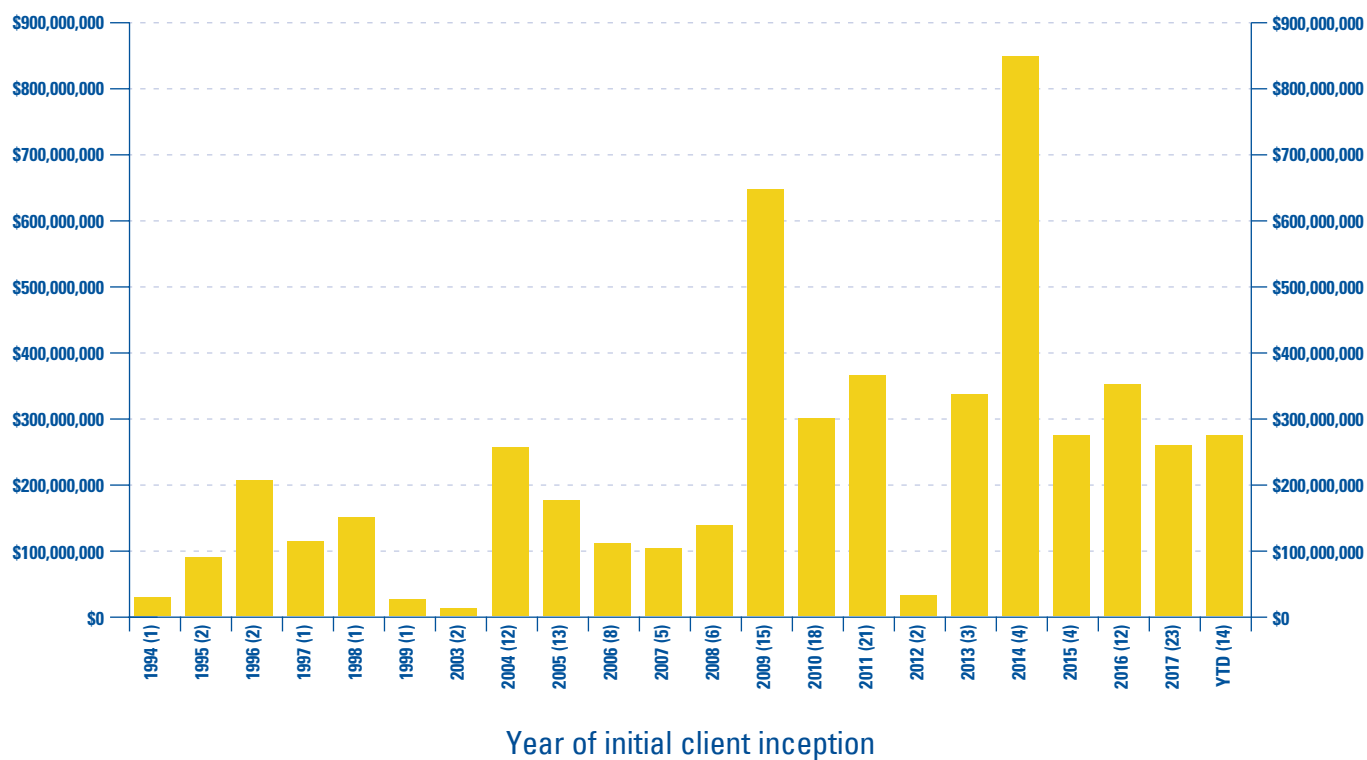
As a Percentage of Total Assets (%)



**Estimates as at 30 June 2018*

Client Tenure*

The graph below shows the length of time that clients have been invested with us.



*As at 30 June 2018.

Financial Calendar

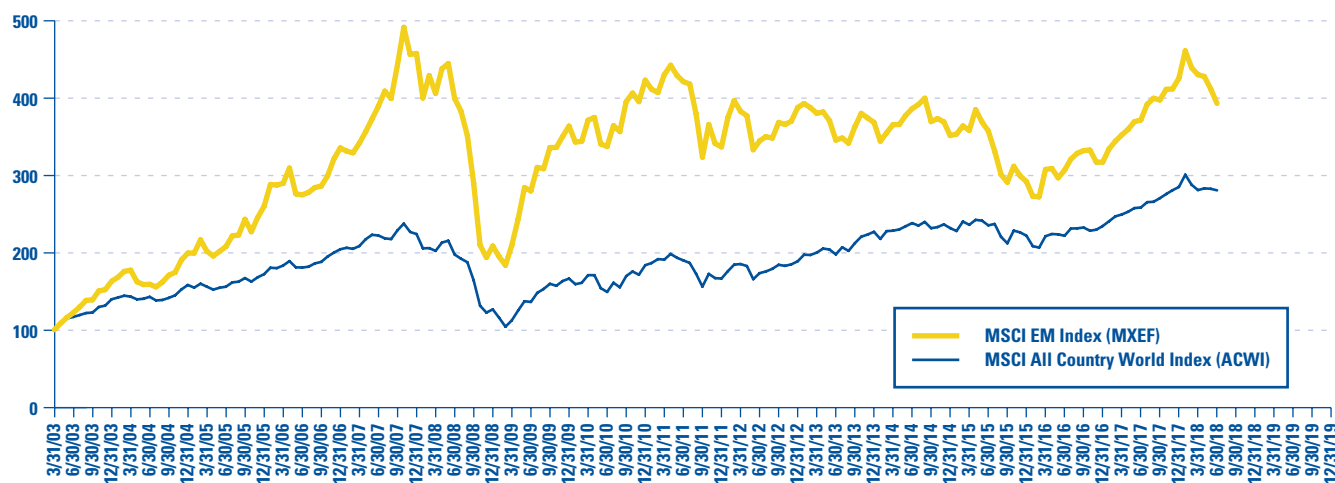
2018-19

▶ Pre-close Trading Update and End of Close Period	17-Jul-2018
▶ Start of Close Period	18-Aug-2018
▶ Preliminary Results and End of Close Period	17-Sep-2018
▶ 1st Quarter FuM / Interim Management Statement	8-Oct-2018
▶ Ex-dividend Date for Final Dividend	11-Oct-2018
▶ Final Dividend Record Date	12-Oct-2018
▶ AGM	22-Oct-2018
▶ Final Dividend Payment	30-Oct-2018
▶ Start of Close Period	2-Jan-2019
▶ 2nd Quarter FUM Announcement	16-Jan-2019
▶ Half Year Results, Interim Dividend Announcement & End of Close Period	18-Feb-2019

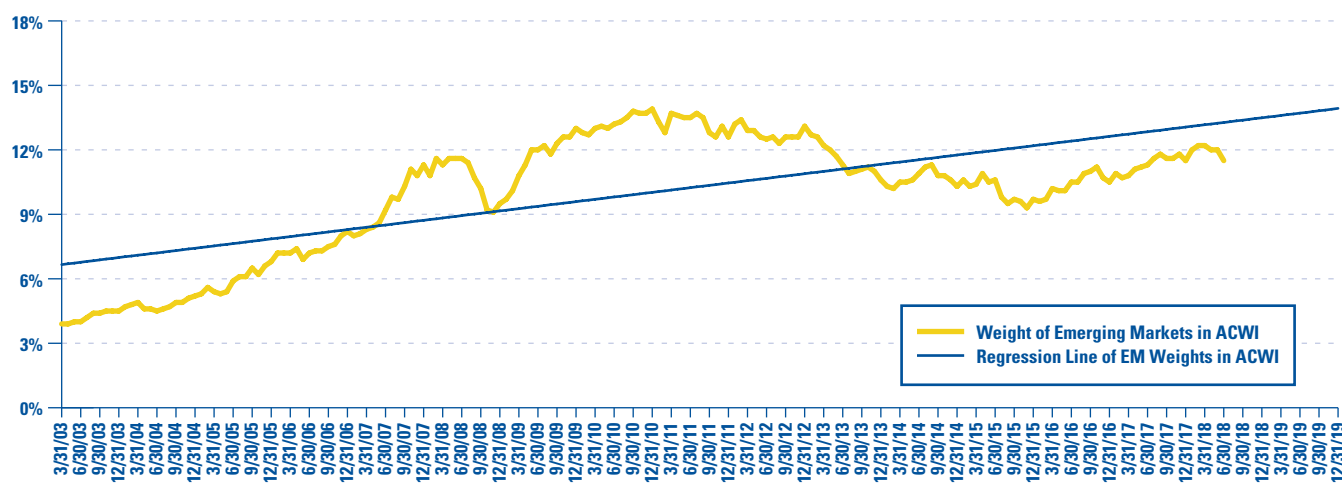
History

- ▶ **1989** – Established as part of Olliff & Partners, stockbrokers
- ▶ **1991** – Launched first fund, Emerging Markets Country Trust, a UK unit trust
- ▶ **1995** – Launched first US fund – The Emerging Markets Country Fund
 - US office opened on East coast
- ▶ **1997** – Stockbroking activities discontinued
- ▶ **2000** – Singapore office opened
- ▶ **2006** – Admission to AIM
- ▶ **2007** – Dubai office opened
- ▶ **2009** – Launch of Developed CEF Strategy
- ▶ **2010** – Admission to official list (premium segment)
- ▶ **2012** – Qualified Foreign Institutional Investors (QFII) scheme in China
- ▶ **2013** – Additional quota granted to Qualified Foreign Institutional Investors (QFII) scheme in China
- ▶ **2015** – Opened West Coast (US) office and appointed an additional marketer

Relationship Between MSCI Emerging Markets Index & MSCI All Country World Index*



Rebased to 100 as of March 2003



*Index returns subject to change due to restatements by index vendors in the historical index levels.

Source: City of London Investment Management, Bloomberg, MSCI

Shareholders

As at 30 June 2018

	%
Barry Olliff	7.5%
Other Directors, Staff & EBT	8.8%
Subtotal	16.3%
BlackRock	9.9%
Canaccord Genuity Group Inc	7.9%
Eschaton Opportunities Fund Management LP	4.7%
Polar Capital	4.1%
Other	57.1%
Total	100.0%

Important Notice

City of London Investment Management Company Limited is authorised and regulated by the Financial Conduct Authority, registered as an Investment Advisor with the Securities and Exchange Commission (SEC) and regulated by the Dubai Financial Services Authority (DFSA). The Company acts as Investment Manager to the World Markets Umbrella Fund plc which is authorised by the Central Bank of Ireland (CBI). All reasonable care has been taken in the preparation of this information. No responsibility can be accepted under any circumstances for errors of fact or omission. Values may fall as well as rise and you may not get back the amount invested.

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The Funds have not been, and will not be, registered under the Investment Company Act of 1940, as amended, and interests of the Funds have not been, and will not be, registered under the Securities Act of 1933, as amended, and may only be offered via private placement transactions. An investment in the Funds may be made only pursuant to the applicable offering documents. Shares in the sub-funds of The World Markets Umbrella Fund plc are not available for sale in any jurisdiction in which such sale would be prohibited. In particular, the fund has not been registered under the United States Securities Act of 1933.

Changes in currency exchange rates will affect the value of the investment. Discounts are calculated using estimated NAVs by City of London's Research Department. Past performance is no guarantee of future results.

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