

“Get the fundamentals down, and the level of everything you do will rise.”
Michael Jordan, former professional basketball player

23 April 2021

Dear fellow MEMF shareholder,

Exactly a year ago, back in April 2020, global markets had just started to recover from a short-lived but major bear market driven by the outbreak of the COVID-19 pandemic. It saw main indices around the world decline by between 20% and over 50% in only a few weeks. COVID-19 divided the world into two halves, those who acted swiftly and decisively and managed to contain the pandemic effectively, and those who didn't, which was reflected in local markets.

Emerging Markets in 2020: A Year of two Halves

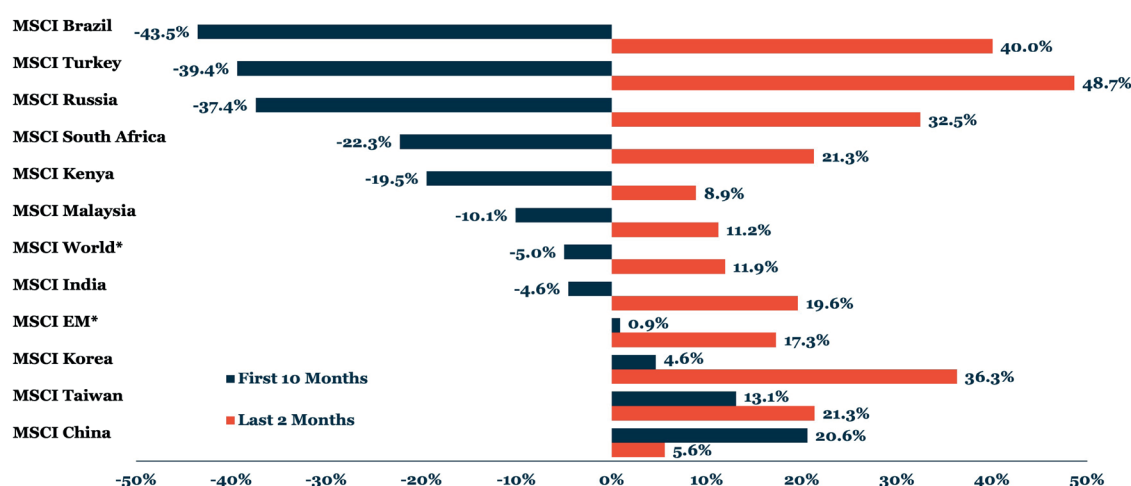


Chart 1, Source: Bloomberg, MSCI; First 10 Months: 31 Dec 2019 – 30 Oct 2020; Last 2 Months: 30 Oct 2020 – 31 Dec

A year later, the pandemic still dominates headlines as well as investor sentiment. While most markets have seen an incredible rally from the lows in March 2020 on the back of an expected recovery, the division between countries remains, driven now by the (un-) successful rollout of vaccination programs. While many countries in Asia have seen a return to some degree of normality and trade with industrial activity and consumption almost back to pre-Covid-19 levels, other parts of the world continue to struggle.

Q1 2021 MANAGER COMMENTARY

Not only the world seems to be divided, similarly, investors seem to be of two minds when it comes to forecasting the future. 2021 began with enthusiasm about unprecedented stimulus action and the prospect of a strong recovery on the back of vaccine rollouts. Markets continued their rally and value stocks in particular gained ground as government action was driving economic recovery. However, when February came with signs that the recovery would be even stronger than expected, investors started to worry about higher inflation expectations and rising interest rates. Volatility returned to global markets. U.S. 10-year Treasury yields reached 1.6% at the end of February (up from under 1% at the end of 2020) negatively impacting EM equities.

When yields remained below their pre-pandemic levels and Federal Reserve Chairman Jerome Powell gave his assurance that an increase in interest rates was nowhere in sight, markets resumed their rally towards the end of March. It has been a similarly choppy start for EM currencies with the USD appreciating relative to most of them. Yet the beginning of April seemed to show a reversal of this trend. Furthermore, local events negatively affected some emerging markets. The Indian stock market saw increased volatility in view of the resurgence of COVID-19 cases while President Erdogan's dismissal of the central bank governor in Turkey negatively impacted investor flows. Brazil continued to grapple with rising cases and a high death toll, forcing the increasingly unpopular President Jair Bolsonaro to a major ministerial reshuffle amid criticism over his government's handling of the coronavirus pandemic.

What this shows is that nothing is certain when it comes to COVID-19, and investors remain "twitchy" to say the least. In times like these, it pays off to invest in companies with strong fundamentals. Our portfolio holdings have a higher profit margin, a higher return on equity and lower debt levels compared to the MSCI EM Index or the MSCI EM Midcap Index. Furthermore, our focus on improving Environmental, Social, Governance and Culture standards serves as a risk control mechanism in times of crisis. Hence, the MEMF portfolio has held up well during the pandemic and portfolio companies are weathering current local challenges.

“In times like these it pays off to invest in companies with strong fundamentals.”

MEMF's portfolio returned 71% (USD C Founders) over the last 12 months. After a strong 2020, we have seen the positive performance continue in 2021 with the Net Asset Value of the Founders Share Class increasing by 6.3% (USD) and 10.2% (EUR) respectively (see "Performance" section below) in Q1 2021. This performance was driven predominantly by stock selection. Our bottom-up investment approach has led to a large exposure to high-conviction companies in Asia, particularly in the technology space. Many of these companies have performed strongly over the last months. The behavioral shifts in the wake of the pandemic have benefitted the technology sector in particular, and we continue to see great opportunities in this segment as these changes are becoming more permanent (please see section "Tomorrow's Gold" for our view on the semiconductor space). During Q1, we strengthened our exposure to the technology sector with one new holding (please see "Investment Update" section for more details).

Despite the developments mentioned above, we believe that emerging markets are set for a strong year with earnings recovering steadily, valuations remaining relatively low, and many emerging markets currencies still undervalued. In line with our expectations, the IMF has revised its growth forecast for the year upwards¹ and expects emerging markets to grow by 6.7% in 2021 and 5.0% in 2022. This growth will be led by emerging and developing Asia (8.6%), which should benefit the Mobius Emerging Markets Fund, with Asian exposure at around 70%.

Outlook for Emerging Markets remains positive

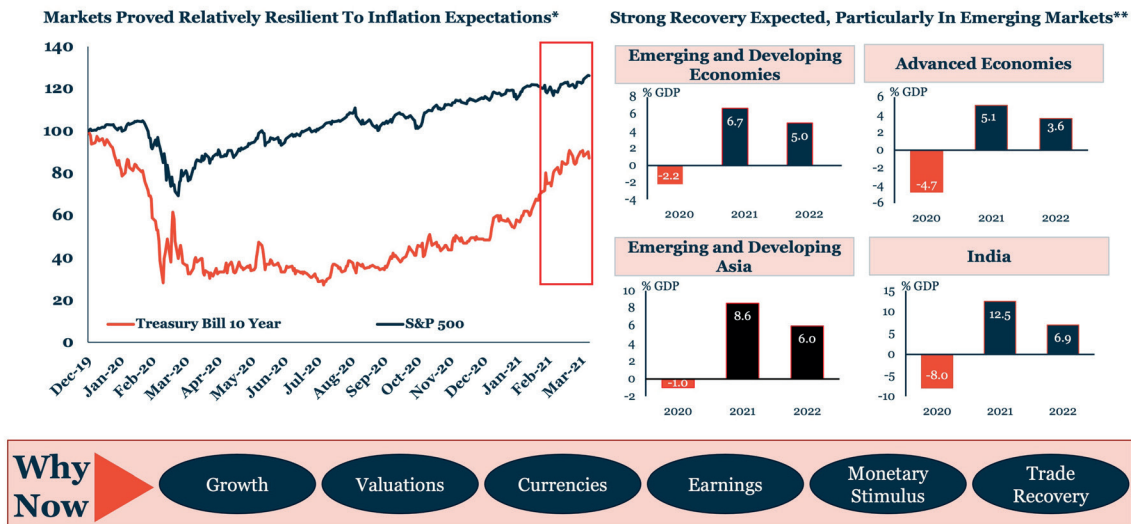


Chart 2, Source: Bloomberg/IMF World Economic Outlook,

* 10 Year U.S. Treasury Bill Yield/S&P500 rebased as of 31.12.2019; **Real GDP, annual percent change

We believe that the recent rise in U.S. Treasury yields which has unsettled investors is driven by growth rather than rapidly surging inflation. A recovering economy in the US should benefit EM companies as demand rises and consumption and trade begin to normalise.

Performance

The Net Asset Value (NAV) of the Founders Share Class increased by 6.3% (USD) and 10.2% (EUR) in Q1 2021 (please see Institutional and Retail factsheets for details on performance of other individual share classes) outperforming the MSCI EM Mid Cap Index (USD) by 2.9% YTD.

As mentioned above, stock selection was yet again an important driver of performance across geographies. The top contributor was Apollo Tubes (+3.6%), the leading branded steel products manufacturer in India. This holding is an example of an industrial company that managed to cope with the Covid-19 situation better than its Indian peers – with an optimized cost structure and improved working capital management. eMemory Technology, a Taiwan-based technology company, reaped the benefits of the increase in demand for their products and services in the wake of the pandemic, contributing +3.1%. The third biggest contributor (+1.9%) was Indian software and digital services company Persistent Systems.

The largest performance detractor was Chinese health care company AKMedical (-0.9%). Investor sentiment has been affected by the extension of the Chinese government's Group Purchasing Organisation (GPO) to high-value medical commodities. The second largest detractor was Brazilian e-commerce business B2W (-0.9%), followed by Chinese health care holding, Kangji Medical, which detracted -0.8% from performance.

MEMF Performance 12 Months

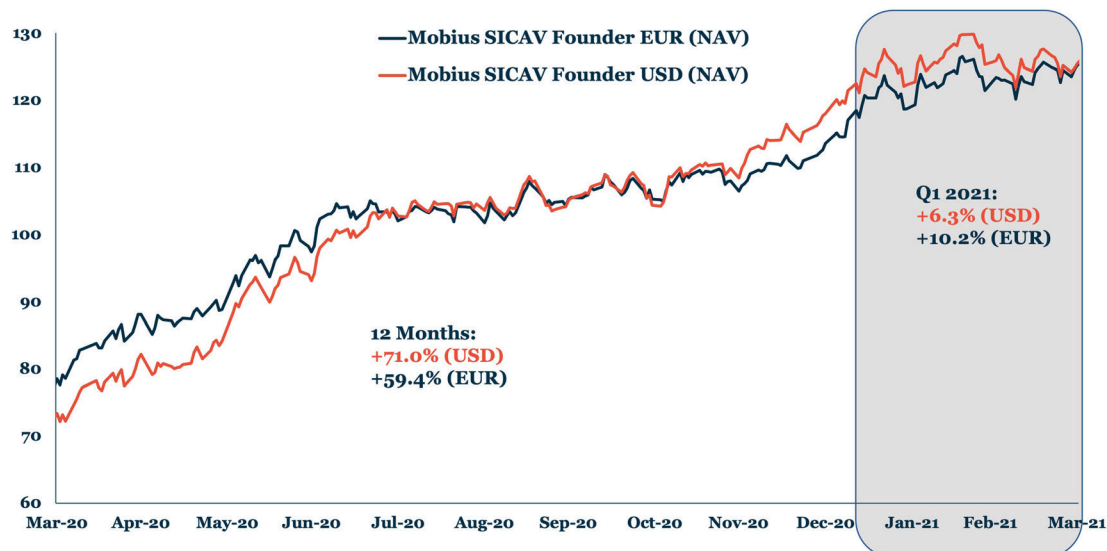


Chart 3, Sources: Bloomberg, Mobius Capital Partners; Data as of 31 March 2021; 12 Months from 31 March 2020 to 31 March 2021

Investment Update

As of 31 March 2021, MEMF had invested 94.5% of capital, with 28 holdings across 11 countries.

MEMF's top ten holdings are shown below:

Top 10 Holdings (%):	Country	(%) of MEMF portfolio
APL Apollo Tubes	India	8.8
eMemory Technology	Taiwan	8.8
Persistent Systems	India	7.9
Polycab India	India	5.3
Yum China Holdings	China	4.5
Win Semiconductors	Taiwan	4.3
LEENO Industrial	South Korea	4.2
Clicks Group	South Africa	4.0
Union Medical	China	4.0
Safaricom	Kenya	3.7
Total		55.5

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During Q1, we acquired Elite Material (EMC), a Taiwan-based manufacturer of copper clad laminate (CCL). The company’s main products, CCLs and Prepregs, are components of printed circuit boards (PCBs), which are used to connect electronic components such as semiconductors or integrated circuits (ICs). Elite Material counts leading PCB-manufacturing businesses Unimicron and Compeq among their key customers. EMC is well-positioned in a rapidly growing industry which stands to benefit from global trends such as IoT, cloud computing, and the rollout of 5G. Engagement will focus on improving communications, investor relations and board independence.

Engagement

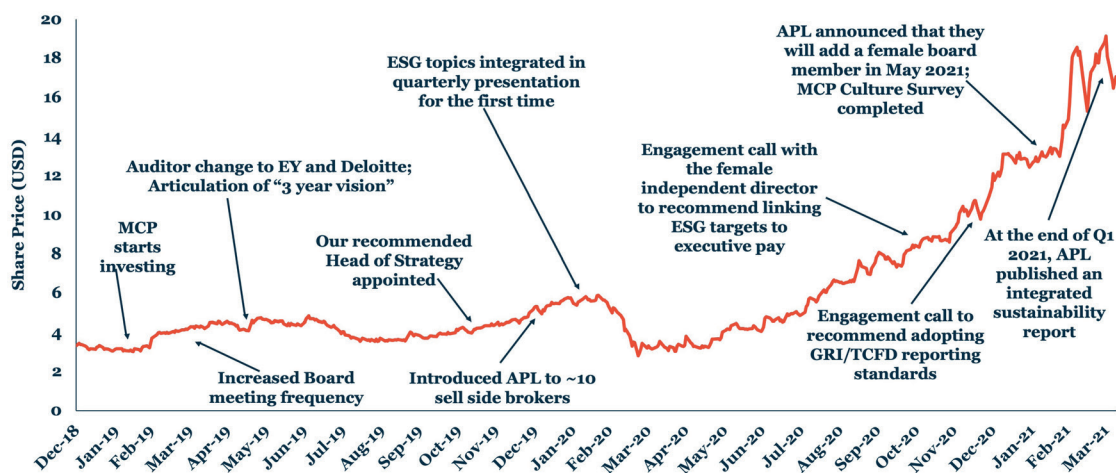
While international travel continued to be restricted due to Covid-19, the team at MCP continued to successfully engage with portfolio companies through virtual meetings. In addition to the work on existing engagement points, all portfolio holdings were asked to fill in a comprehensive culture survey to complement interviews with different stakeholders and to further enable the team to effectively assess and engage on corporate culture factors.

Engagement: APL Apollo

Country	Market Cap	Weight
	USD 2.4bn	8.8%



India's leading branded steel products manufacturer with over 1,000 SKUs sold through 650+ distributors and 40,000 retailers



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Chart 4, Sources: Bloomberg, Mobius Capital Partners; Data as of 31 March 2021

Good progress was made on a number of action points during the first quarter of the new year. Following our engagement, Indian steel pipes producer APL Apollo for the first time published an integrated sustainability report at the end of Q1 while Brazilian healthcare company Grupo Fleury started to link executive compensation to sustainability goals. Kenyan telecoms company Safaricom announced a new female Independent Director thereby improving its board independence and gender diversity. Furthermore, we were delighted that Yum China was included in the Bloomberg Gender Equality Index as the only company from mainland China. Yum China is recognized for its commitment to transparency in gender reporting and advancing women’s equality. For more details on the progress our portfolio holdings have been making along environmental, social, governance and culture parameters please visit www.esgplus.com to view the latest ESG+C Factsheet covering Q1 2021.

Tomorrow's Gold: Investing in the Semiconductor Space

Never before have emerging markets developed a larger and more significant role in one of the most important and complex global industries than in today's wider semiconductor space.

Decades of research and development and billions of USD in investments as well as intense collaborations with universities and high-profile innovators and engineers have created an unrivalled ecosystem in Asia. We believe this ecosystem is now extremely well positioned to benefit from structural themes which define the future of the 21st century – from autonomous driving to the Internet of Things (IoT).

Only a decade ago, the semiconductor industry was dominated by the U.S. and Japan and some European players. The landscape today looks very different; three out of the top five players are Asian (excl. Japan). And while the U.S. dominates the global semiconductor market share by revenue, Asia has been emerging as the manufacturing powerhouse. About three-quarters of the world's chip production capacity is now concentrated in Asia² led by Taiwanese foundry TSMC.

Semiconductor Revenue, APAC Region

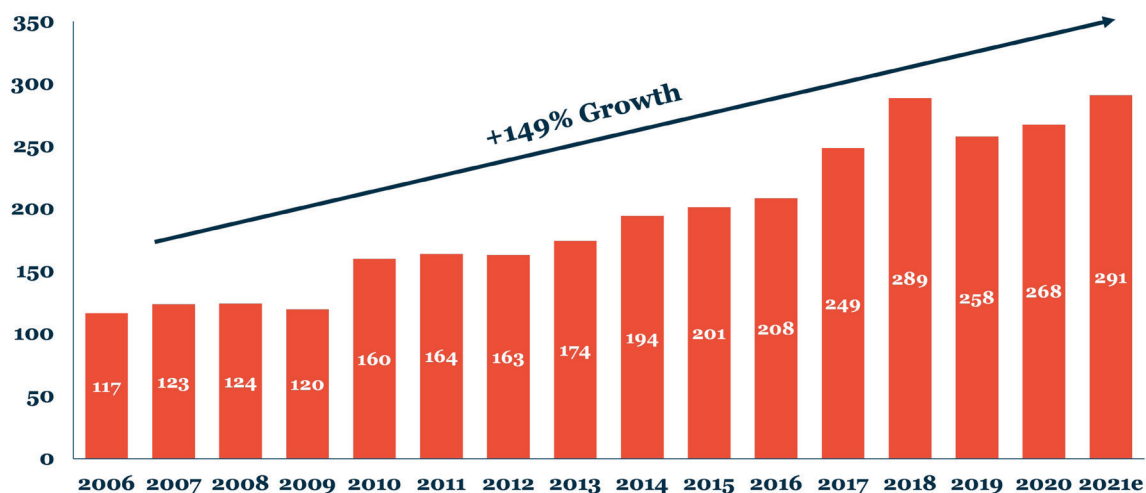


Chart 5, Sources: Statista, WSTS; In bn USD; *Future years are forecasts

Given the faster-than-ever technological innovations, boosted by the recent global pandemic and the work from home drive, the semiconductor industry is expected to continue its rapid growth into the coming decade. In 2020, semiconductor revenues totalled over \$460 billion, an increase of more than 10% compared to 2019.³ This is driven by increased demand and rising average selling prices (ASP). Trends such as the Internet of Things (IoT) and 5G are key contributors to this increase in demand. Demand was further accelerated by the pandemic and the work from home drive. The hype around blockchain and cryptocurrencies such as Bitcoin has also provided further stimulus, particularly in the high-end chip segment for the purpose of Bitcoin mining. Cumulatively, this has resulted in global chip scarcity, leading to an increase in average selling prices (ASP).

The Components and their Drivers

The semiconductor industry is commonly divided into seven component types, namely memory, logic, micro components, analog, optoelectronics, sensors, and lastly, discrete.

The largest and one of the fastest growing segments remains the memory segment in which players like Samsung Electronics (Korea) and SK Hynix (Korea) compete. Memory, which accounted for over 26% of semiconductor sales in 2020, was the second best-performing device category, experiencing a 13.5% revenue increase.³ The key drivers of the increasing demand for memory stem from cloud computing, ever larger data centers, but also virtual reality and smart phones as well as other electronics such as IoT (Internet of Things). The second most important area falls under “logic”. Logic chips are highly sophisticated processors which are responsible for processing data and commands, which includes computing and control. They are used for central processing units (CPUs) which are used in computers and application processors which are used in smartphones and tablets as well as automotive systems.

“In 2020, global semiconductor revenues totalled over \$460 billion, an increase of more than 10% compared to 2019”

Microcomponents are also expected to see particularly strong growth in the years to come. They are an essential part of every electronic device, and applications are penetrating new industries, particularly in the automotive industry as we move towards semiautonomous and autonomous driving. More sophisticated safety systems, connected cars and a wide array of sensor technology are just a few drivers which will become the new norm. The IoT (Internet of things) is leading to higher processing requirements and intense utilization of microcontrollers providing real-time embedded processing.

We also expect exponential development and growth in the optoelectronic and sensor area. From vision-based automation, CMOS image sensors, and Time-of-Flight technology, such innovation is revolutionizing electronic consumer products from smart phones to automobiles and robotics.

Global Semiconductor Market Size, by Component

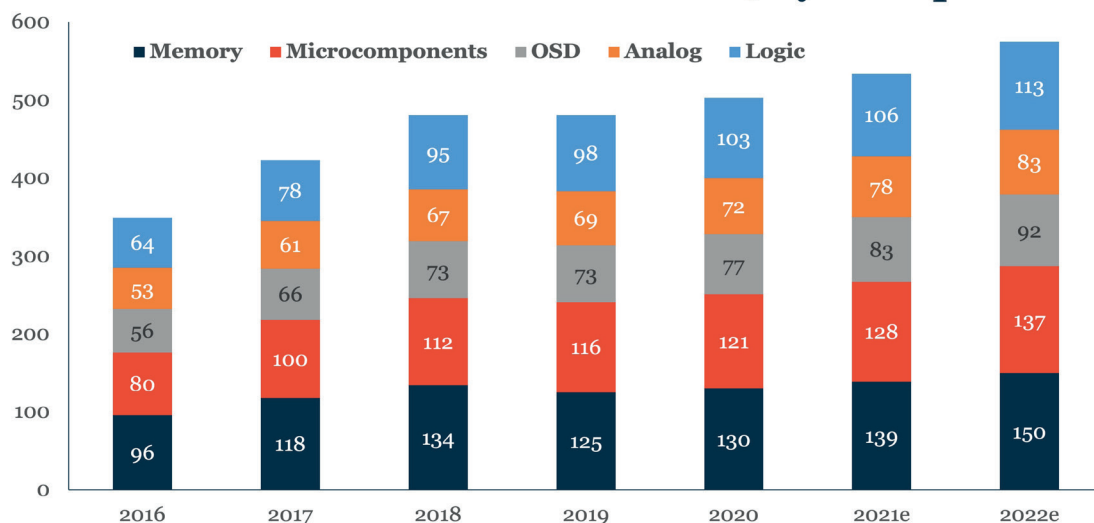


Chart 6, Sources: Statista, PwC; In bn USD; *Future years are forecasts

The Key Industries

Automotive: The automotive sector is undergoing a radical transformation with semiconductors at the heart of the process. Hybrid and fully electric cars require at least double the amount of semiconductor content while fully autonomous cars require up to 5 times compared to conventional cars. The ADAS system (Advanced driver assistance systems), Lidar (Light detection and ranging), as well as the wide range of other safety systems are playing a critical role in the transition towards automated cars. This is underpinned with a heavy usage of complex semiconductors.

Communication: The communication segment is dominated by smart phones, with a share of approximately 80%. While growth has flattened on the back of global saturation, new technologies such as 5G as well as the global smart phone replacement cycle will continue to drive this segment. Furthermore, the segment is driven by innovation and faster and better devices with additional functionalities.

Data Processing: Although the global pandemic has significantly increased the number of people working from home, generally higher requirements for the PC, server and storage device markets are driving demand in this segment. The establishment of ever larger data centers supporting the global trend of digitalization is accelerating.

Industrial: The key drivers for this segment include smart and safe cities which become fully digitalized as well as connected homes, offices, industrial assets and public infrastructure such as airports or train stations. All of these sub-segments are in the process of being transformed with the support of the semiconductor technology.

Consumer Electronics: Consumer electronic products including televisions, gaming devices and some kitchen appliances all require semiconductor components. 2020 saw revenues in this industry increase by 7%, driven by demand for home entertainment, tablets and computers. Consumer's constant appetite for the latest innovation will drive the revenue in this category over the coming years⁴.

Global Semiconductor Market Size, by Application

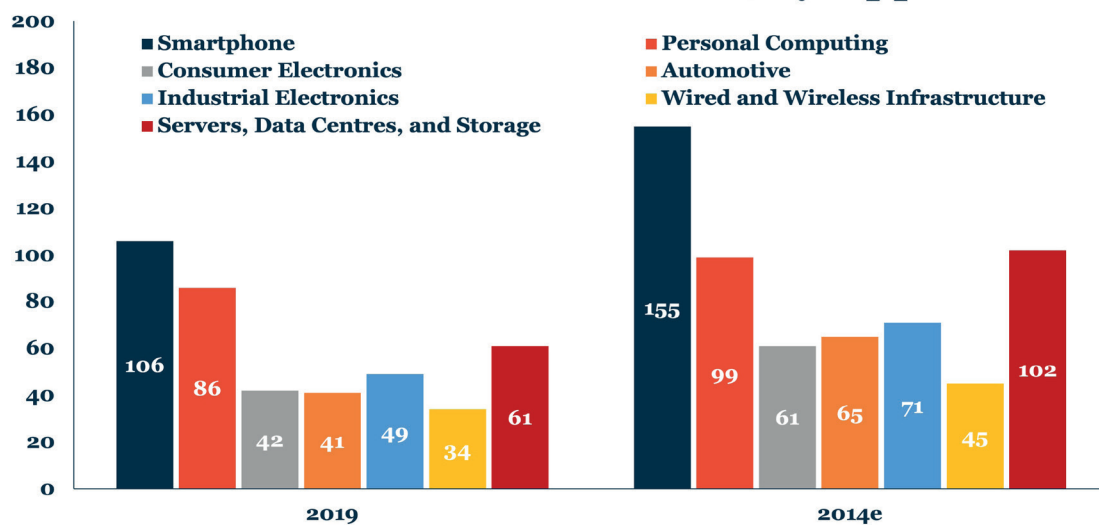


Chart 7, Sources: Statista, ASML; In bn USD; *Future years are forecasts

Our Semiconductor Exposure:

MEMF's portfolio is well positioned to profit from the continuing growth in the semiconductor segment. Our exposure to the technology sector overall currently stands at 38%. This is driven by our bottom-up research process which has identified attractive, high-conviction companies in this field. Two thirds of our technology exposure is related to the semiconductor space. This exposure is diversified across the semiconductor value chain and is comprised of highly innovative small and mid-sized companies which provide IC design, components or testing services to the leading OEMs and foundries.

Semiconductors: Investing across the Value Chain



IC Design and why we like it:

IC design involves the creation of application specific integrated circuits which is required in the development of highly complex microelectronic devices such as micro displays and optoelectronic sensors. It is a critical ingredient in the creation of devices such as laptops, cell phones, monitors, wearables, medical devices and is increasingly used to develop artificial intelligence and functionality supporting autonomous driving. The methodology of this design process is based around circuit simulation, layout design and verification. IC design is usually undertaken by so called “fabless” companies, which then sell the design to end clients or foundries which produce the microprocessors. Asia offers a rich opportunity set of successful and highly advanced IC design houses which continue to innovate and gain market share globally. Companies in the IC design generally enjoy high margins and their most valuable assets are their patents, design capabilities and their IC design engineers. In assessing such companies, we spend a lot of time analysing the corporate culture as we believe human capital is a key driver of future innovation and profitability.

One example: eMemory Technology (Taiwan)

eMemory is a silicon intellectual property company based in Taiwan. Founded in 2000, the focus of IP is embedded non-volatile memory (eNVM) which works when power is off. This memory is embedded in the integrated circuit (saving cost and space) and is used for applications such as trimming, parameter setting, encryption, function selection, identification setting and code storage. eMemory's business model is chiefly funded with license fees and royalties, where the latter contributes 70% to revenues. License fees consist of technology licenses, which foundries pay eMemory to develop IP. eMemory's latest invention NeoPuF provides more secure solutions in areas such as the crypto space, automotive driving or national defence. It is particularly attractive, in view of the rising number of global cyber security attacks. During 2020, eMemory returned 80% (in USD) and contributed 5.6% to MEMF's performance. This strong performance has continued in 2021.

eMemory is an excellent example of the type of high-conviction companies that we are finding in the technology area, in particular in Asia. While such companies are small today, their rapid growth, combined with their world-class R&D capabilities will allow them to continue growing their market share, revenues and profitability.

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On behalf of the entire team, we would like to thank our shareholders for your continued support.

Please reach out should you have any questions or suggestions. You can contact Anna von Hahn at anna@mobiuscapitalpartners.com.

Best wishes,

The Mobius Capital Partners Team

Footnotes:

1. IMF World Economic Outlook, April 2021: <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>
2. <https://www.semiconductors.org/turning-the-tide-for-semiconductor-manufacturing-in-the-u-s/>
3. <https://www.gartner.com/en/newsroom/press-releases/2020-04-12-gartner-says-worldwide-semiconductor-revenue-grew-10-4-percent-in-2020>
4. <https://www.strategyanalytics.com/access-services/devices/connected-home/consumer-electronics/market-data/report-detail/global-consumer-electronics-market-forecasts-2014-2024-forecast-update-summary>

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