Miltenberg Capital

PCFS - MILTENBERG EMERGING RESPONSIBLE EQUITY FUND

Emerging and Frontier Markets Equity

August 2024

General Information

Inception Date	31 May 2023
Base Currency	US Dollar
Domicile	Luxembourg
SICAV	PCFS S.A.
Regulatory Structure	UCITS (Luxembourg)
SFDR Classification	Article 8
AuM of the Sub-Fund (USD Millions)	5.8
Annual Management Charge	1.50%
TER (Indicative Total)	2.50%
Distribution Policy	Accumulating
Dealing Frequency	Daily at NAV before 10:00am CET
NAV (30 August 2024)	Share Class A EUR: EUR 100.687
	Share Class B USD: USD 104.521
Minimum Subscription	Share Class A EUR: EUR 5,000
	Share Class B USD: USD 5,000
Investment Manager	Miltenberg Capital Ltd (Mauritius)
Management Company	Pure Capital S.A. (Luxembourg)
Administrator	Caceis Investor Services Bank S.A. (Luxembourg)
Custodian	Caceis Investor Services Bank S.A. (Luxembourg)
Auditor	PricewaterhouseCoopers (Luxembourg)
Fund Manager	Philippe Koch, CFA

Email	contact@miltenbergcap.com
Website	https://www.miltenbergcap.com/
Prospectus	Prospectus Weblink
PRIIPS KID - Share Class A EUR	Share Class A EUR KID Weblink
PRIIPS KID - Share Class B USD	Share Class B USD KID Weblink
Sustainability-Related Disclosures	SFDR Weblink

Share Class Identifiers	Share Class A EUR	Share Class B USD
ISIN	LU2575956847	LU2575956920
Bloomberg Ticker	MILTAEU LX	MILTBUS LX

Investment Objective

Long-term capital growth through investments into a concentrated portfolio of selected equity securities of listed companies domiciled or active in emerging and frontier markets. Promotion of primarily social characteristics through investments into listed companies that cater to the needs and well-being of the emerging consumer.

Investor Profile

Investors who want to participate in the opportunities offered by investments into equity securities of listed companies domiciled or active in emerging and frontier markets and who plan to maintain their investment over the long term, with a minimum holding period of 5 years.

Summary Risk Indicator

1	2	3	**4**	5	6	7

Lower Risk ← → Higher Risk

SRI for minimum holding period of 5 years. Please refer to the Risk Level and Specific Risk Warnings at the end of this document.

Constraints

Max. Country Exposure	**33%**
Max. Sector Exposure	**33%**
Max. Local Currency Exposure	**33%**
Max. Small- and Micro Cap Exposure	**33%**

UCITS 5/10/40 rule is applicable for the sub-fund.
No hedging of or use of derivatives for underlying equity and currency risk

Performance

Share Class A EUR[1]	MTD	YTD	1Y	3Y	5Y	Inception
Annualised	N.A.	N.A.	1.5%	N.A.	N.A.	0.5%
Cumulative	3.6%	2.6%	1.5%	N.A.	N.A.	0.7%

Share Class B USD[1]	MTD	YTD	1Y	3Y	5Y	Inception
Annualised	N.A.	N.A.	3.4%	N.A.	N.A.	3.6%
Cumulative	5.9%	2.8%	3.4%	N.A.	N.A.	4.5%

Allocation

Top 10 Holdings	
Nu Holdings	6.1%
Bumrungrad Hospital	5.4%
Kaspi	5.0%
MercadoLibre	4.8%
Sanlam	4.7%
TBC Bank Group	4.5%
Standard Bank Group	4.4%
Mobile World Investment	4.1%
Century Pacific Food	3.9%
Cipla	3.8%
Total	**46.7%**

Currency Exposure	
US Dollar	23.3%
Thai Baht	15.7%
South African Rand	11.8%
Indonesian Rupiah	10.9%
British Pound	7.6%
Vietnam Dong	7.6%
Indian Rupee	7.2%
Mexican Peso	5.4%
Others	10.5%
Total	**100.0%**

Country Allocation	
Thailand	15.7%
South Africa	11.8%
Indonesia	10.9%
Brazil	10.2%
Vietnam	7.6%
India	7.2%
Others	29.2%
Cash	7.4%
Total	**100.0%**

Sector Allocation	
Financials	28.2%
Consumer Staples	22.5%
Health Care	18.3%
Consumer Discretionary	17.8%
Communication Services	5.8%
Cash	7.4%
Total	**100.0%**

Portfolio Metrics[2]

Valuation Metrics	
Price-to-Earnings Ratio	**37.8x**
Price-to-Book Ratio	**5.7x**
Dividend Yield	**2.9%**
Free Cashflow Yield[3]	**4.1%**

Risk Metrics (Share Class A EUR)	
Maximum Drawdown	**-8.6%**
Sharpe Ratio (Rolling 1Y)	**-0.23**
Volatility (Rolling 1Y)	**9.9%**

Fundamental Metrics	
Return on Equity	**24.1%**
Return on Invested Capital[3]	**17.2%**
Operating Margin	**21.3%**
Operating Profit CAGR 5Y	**9.0%**
Net Debt/EBITDA[3]	**0.2x**

Responsible Investment Metrics	
Share of Independent Directors	**58%**
Share of Female Directors	**25%**
UNGC Participation	**50%**
Share of Controversies	**33%**
Number of Controversies	**9**

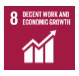
Market Cap (USD Millions)	
Median Market Cap	**6,285**
250 < Market Cap ≤ 1,500	**13.2%**
1,500 < Market Cap ≤ 10,000	**43.4%**
Market Cap ≥ 10,000	**43.4%**

No. of Holdings **27**

Top 3 Contributors	
Nu Holdings	**1.26%**
MercadoLibre	**1.01%**
Sanlam	**0.51%**

Bottom 3 Contributors	
Aspirasi Hidup Indonesia	**-0.28%**
Dino Polska	**-0.17%**
Walmex	**-0.13%**

No. of Portfolio Companies addressing specific SDGs

 18
 16
 18
 23
 18
 19
 17
 16

No. of Portfolio Companies addressing other SDGs:

SDG 1: No Poverty: 9
SDG 2: Zero Hunger: 11
SDG 6: Clean Water and Sanitation: 9
SDG 7: Affordable and Clean Energy: 11
SDG 11: Sustainable Cities & Communities: 7
SDG 14: Life below Water: 2
SDG 16: Peace, Justice & Strong Institutions: 14
SDG 17: Partnership for the Goals: 15

Source: United Nations https://www.un.org/sustainabledevelopment. The content of this publication has not been approved by th e United Nations and does not reflect the views of the United Nations or its officials or Member States.

[1] *Performance Net of Fees. No Share Class Hedging for Share Class EUR*
[2] *Inclusive of Cash except Responsible Investment Metrics and Market Cap*
[3] *Excl. Financials*

Fund Manager Comment for August 2024

Global Equity Markets

Global equity markets performed well in August as dovish comments from the U.S. Federal Reserve helped market sentiment. Yields on 10-year U.S. Treasuries fell to 3.90% at the end of August while 2-year yields tumbled to 3.92%, which practically erased the inversion of the U.S. yield curve. Lower yields in the U.S. weighed in turn on the price of the US$ against most major currencies. As for U.S. equities, the S&P 500 posted a total return of +2.4% and outperformed the NASDAQ by +1.7%. On the other side of the Atlantic, European equities outperformed U.S. equities for the second month in a row as the Stoxx Europe 600 posted a total return of +3.8% in US$ terms. The positive currency attribution from a weaker US$ against the Euro stood at 2.2% and was even more pronounced compared to July.

A weaker US$ and lower U.S. yields are a classic catalyst for emerging equity markets, and August 2024 was no exception. Markets that performed particularly well were smaller Asian equity markets that were ignored by investors in recent years, such as Indonesia, Thailand, or the Philippines. Underperformers in August included Turkey, Mexico, and South Korea. Chinese equities tried to stage another comeback in this environment, with the Hang Seng China Enterprise Index posting a total return of +3.8% in US$ terms. The NAV of Share Class A EUR of the sub-fund rose by +3.6% while the NAV of Share Class B USD increased by +5.9% in August.

Portfolio Countries

Two events took place across portfolio countries in August that are worth to be discussed in more detail. It is important for us to stress again the point that we look at political and macro events in portfolio countries only through a risk management lens, never as a justification for investments into equity securities.

Many analysts and market observers saw a political crisis unfolding in Thailand in August as the Constitutional Court dismissed Prime Minister Thavisin in a tight 5 to 4 ruling. Paetongtarn Shinawatra, the 37- old daughter of former Prime Minister Thaksin Shinawatra, was however swiftly appointed as the new Prime Minister by Parliament, which helped to calm the nerves of foreign and local investors alike This episode is a good case study on the futility of buying or selling securities in anticipation of political outcomes in emerging markets. While several observers expressed concerns for political stability following the decision, the SET was one of the best performers in our investment universe in August. Total return stood at +8.1% in US$ terms, of which 4.5% can be attributed to a stronger Thai Bhat. As political uncertainty has now hopefully subsided in Thailand, company fundamentals should again come to the forefront.

Over in Brazil, President Lula unsurprisingly picked Gabriel Galipolo as the new Governor of the Central Bank. Meanwhile, the Central Bank kept benchmark rates steady at 10.50%. Both decisions did not have any meaningful impact on equity markets in August as the IBOVESPA increased by +6.5% in US$ terms. That said, Brazilian equities are still down by -12.9% YTD in US$ terms as of the end of August, one of the worst-performing equity markets in our investment universe in 2024 YTD. Investors continue to voice concerns for 1) political pressure on the Central Bank to loosen monetary policy once Galipolo takes the helm in January 2025 and 2) further ballooning budget deficits financed by loose monetary policy. As for 1), Brazil still offers one of the highest real interest rates in our investment universe (6% using the most simplistic approach). The price of money cannot be considered particularly accommodative at this stage, and real rates are expected to remain high. Point 2) is more serious in our view as the federal budget deficit reached a whopping -9.9% of GDP at the end of Q2 2024, with federal government debt-to-GDP for 2024 projected at 74.3%. The government has not much choice but to rein in spending in the quarters ahead if it wants to avoid further capital outflows and pressure on interest rates and the currency.

Portfolio Companies

The earnings season for the second quarter of the calendar years continued in August as another 13 portfolio companies reported results. If gauging consensus estimates for quarterly EPS, earnings reported in August can be described as mixed, with 7 portfolio companies beating and 6 portfolio companies missing market expectations. As we like to highlight time and again, we do not consider quarterly EPS the most important KPI for equity securities held by the sub-fund. But quarterly results are often a good occasion to review and stress-test our investment thesis and valuation models. In August, we put an emphasis on the three consumer staples retailers in the portfolio. Contrary to the strong performance of retailer stocks listed in developed markets, stocks of retailers listed in emerging markets have largely underperformed the broad equity market in 2024 YTD.

One of the retailers in the portfolio that weighed on performance in August is Dino Polska. The Polish grocery chain reported Q2 2024 results that again missed analyst expectations, which led to a further decline in the share price in an otherwise positive market environment. Revenue increased by a solid +10.6% YoY while EPS declined by -4.2% YoY. Management is currently trading margin for market share in an environment of cut-throat competition, and this strategy is working as expected. Like-for-like sales growth in H1 2024 remained decent at +6.4% YoY, but EBITDA margin contracted further to 7.2% in Q2 2024 (-0.2% QoQ and -1.5% YoY). The price war in the industry might continue for a while, but we take the view that the format pioneered by Dino Polska represents a competitive advantage. Margins remain industry-leading despite the recent contraction. Our estimated fair value is considerably above the current market price.

MercadoLibre is a great example how the right business model can thrive in countries with otherwise subdued economic growth. The leading Latin American e-commerce and fintech business reported stellar results for Q2 2024. Driven by strong growth in GMV, net revenue and financial income increased by +42% YoY in reported currency, with the share of total fintech revenue standing at 41%. EBIT margin declined by -4.4% YoY and -1.2% YoY on a reported and comparable basis, respectively. The adjustments made by management to the comparable EBIT margin were again well presented and consistent with the information shared in previous quarters. That said, provisions for bad debt shoved off -3.5% from the EBIT margin, but the blended coverage ratio for non-performing loans stood at a solid 135% in Q2 2024. As growth in the top line largely outstripped the contraction in margin, EPS jumped by +103% YoY.

Another example with similar dynamics like MercadoLibre is Nu Holdings. The Brazilian neobank has fundamentally disrupted the Brazilian retail market and continues to post exceptional growth rates. Total revenue for Q2 2024 was up by +52% YoY while EPS increased by +115% YoY. We believe that many sector analysts remain too conservative when looking at the business. The reason why traditional banks in Brazil did not lend to (lower income) households were less the inherent credit risk for unsecured loans but the propensity to stick with "lazy" high-margin corporate banking as well as a bloated origination and distribution model. This provided an opportunity for a player like Nu Holdings to step in, and the execution by management has been incredible so far. The digital-only model of Nu Holdings features small customer acquisition costs, a huge trove of data and machine learning tools to measure credit risk and automate credit decisions, and a risk-adjusted NIM (which includes credit loss allowances) on all interest-earning balances of 11.0% per annum in Q2 2024. Granted, the NPL ratio for 90+ days non-performing loans (NPLs) of Nu Holdings increased to 7.0% in Q2 2024 while the comparable figure at the national level in Brazil stood at 5.5% in August 2024. Nu Holdings has however the ability to obtain NIMs in the unsecured consumer segment that largely exceed the corresponding cost of risk. Meanwhile, the coverage ratio for 90+ days NPLs (Brazil only) stood at 211% in Q2 2024. While the unsecured portfolio of Nu Holdings would certainly be adversely impacted by a sharp economic downturn in Brazil, we would argue that the company holds ample provisions and capital to withstand such a blow. The Tier 1 capital ratio stood at 14.4% at the end of June 2024 while equity capital is now compounding at an annualized ROE of 24%. We also believe that the digital-only retail model of Nu Holdings has the scope to be rolled out in other underbanked developing countries, once Mexico and Colombia have reached sufficient levels of profitability.

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Risk Level

Risk Level (SRI): 4

The Summary Risk Indicator (SRI), in accordance with the Key Information Document (PRIIPS-KID), allows the level of risk of this product to be assessed in relation to others. It indicates the likelihood of losses in the event of market movements or the inability of the sub-fund to pay you. This indicator ranks the risk on a scale of 1 to 7. A low score indicates lower risk but potentially lower return. A higher score will lead to higher risk but potentially higher return.

The level of risk indicated is not a guarantee and may change over time. It also assumes that you keep the product for 5 years. The risk may be significantly different if you sell the product at an early stage, and you may get a lower return.

Specific Risk Warning

The sub-fund will invest mainly in large and medium capitalised securities but may also participate in small and micro capitalised opportunities. The aggregate exposure to small and micro capitalised securities will not exceed 33% of the Fund's net assets.

Further, the sub-fund will not invest into securities with a market capitalisation of less than USD 250,000,000. The securities of small-capitalization and mid-capitalization companies are generally considered to have a greater capacity of appreciation but involve greater risks than those associated with larger and more established companies. These companies could be more inclined to extreme market and economic conditions. They are likely to be subject to higher-than-average volatility due to high degree of concentration, greater uncertainty (as less information is available), less liquidity and/or due to greater sensitivity to changes in market conditions. Both small-capitalization and mid-capitalization companies often have narrower markets and more limited managerial and financial resources than larger and more established companies. Consequently, smaller companies may find themselves unable to generate new funds to support their growth and development. They may lack vision in management, or they may develop products for new, uncertain markets. Therefore, their performance could be more volatile as they face greater risk of business failure. Securities of such issuers may lack sufficient market liquidity to enable a Fund to effect sales at an advantageous time or without a substantial drop in price. As a result, they may be subject to more abrupt or erratic price movements (for example securities of small-capitalization and mid-capitalization may decline in value whereas securities of more established companies are increasing in value). The market capitalisation bracket of a security is determined with reference to the domestic stock market, or where this is not applicable with reference to a relative index as follows: •

Large-cap securities are those that account for the top 60% of the capitalisation of a domestic stock market or relative index;

Mid-cap securities represent the next 20% of a domestic stock market or relative index;

Small-cap securities make up the next 10% of a domestic stock market or relative index; and •

Micro-cap securities make up the remainder of a domestic stock market or relative index.

Investors in sub-funds which pursue small and small- and mid-capitalization strategy agree to bear these risks.

Emerging Markets Risk: The sub-fund will invest in equity securities in emerging and frontier markets. Such equity securities may involve a high degree of risk and may be considered speculative. Risks include but are not limited to (i) greater risk of expropriation, confiscatory taxation, nationalization, and social, political and economic instability; (ii) the small current size of the markets for equity securities of emerging and frontier markets issuers and the currently low or non-existent volume of trading, resulting in lack of liquidity and in price volatility, (iii) certain national policies which may restrict the sub-fund's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; and (iv) the absence of developed legal structures governing private or foreign investment and private property. In addition, the fund will invest into equity securities denominated in local currencies of developing countries. Risks related to exposure to currencies of developing countries include but are not limited to (i) small size of local currency markets resulting in reduced liquidity, (ii) capital controls that could make it impossible to convert local currencies to EUR or USD and repatriate dividend or sales proceeds, and (iii) large currency devaluations undertaken by central banks or governments of developing countries in which the sub-fund may invest that result in an adverse impact on the Net Asset Value of the sub-fund.

Specific Exchange Rate Risk: Share classes of the sub-fund are not hedged against currency fluctuations. Investors investing into share classes of the sub-fund bear exchange rate risk. Exchange rate risk is a form of risk that arises from the change in price of one currency against another. The performance of unhedged share classes are therefore affected by movements in currency movements.

The sub-fund can suffer losses which reduces its Net Asset Value per share.

The Company does not guarantee or protect the capital invested.

The risk factors described above are not exhaustive.

The risk profile of the sub-fund is suitable for an investment horizon of over 5 (five) years.

Glossary

Maximum Drawdown: Percentage highlighting the largest theoretical loss for an investor during the lifetime of the sub-fund.
NAV: Price of a share of the sub-fund in the respective currency at the indicated date.
Number of Controversies: Number of portfolio companies that had controversies during the last 5 years.
SDGs: Sustainable Development Goals. A collection of 17 interlinked objectives designed to serve as a "shared blueprint for peace and prosperity for people and the planet, now and into the future".
SFDR Classification: Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. EU Act that requires asset managers to classify funds into categories, Article 8 funds promote environmental and social characteristics while Article 9 funds have sustainable investments as a measurable objective.
Share of Controversies: Portfolio companies that had controversies during the last 5 years as a percentage of the total portfolio excluding cash.
Share of Female Directors: Unweighted median percentage of female directors on the board of directors of portfolio companies.
Share of Independent Directors: Unweighted median percentage of independent directors on the board of directors of portfolio companies.
Sharpe Ratio: Sharpe ratio measures the excess return over the “risk-free rate” in the base currency of the sub-fund divided by the standard deviation of this return. It thus shows the marginal return per unit of risk. The higher (lower) the Sharpe ratio, the more (the less) risk-taking is rewarded. A negative Sharpe ratio does not necessarily mean that the portfolio posted a negative performance, but rather indicates that the sub-fund had a lower return compared a “risk-free” investment.
SICAV: Société d’Investissement à Capital Variable (Open-ended investment company with variable capital)
SRI: Specific Risk Indicator
TER (Indicative): Total Expense Ratio. Measure of total expenses of the sub-fund in relation to its average assets which is expressed as an annualized percentage. Expenses include all management, custody, administrative, audit, and other fees and any profit-related fees. Broker commissions are excluded from TER. TER changes with movements in underlying AuM due to fixed expenses of the sub-fund.
UNGC Participation: Portfolio companies that participate in the United Nations Global Compact (UNGC) as a percentage of the total portfolio excluding cash.
Volatility: Annualized percentage range of price variation of the return of the fund and the denominator of the Sharpe Ratio. Generally, investors equate a higher volatility with a higher level of risk.

Disclaimer

This is an advertising communication. Please refer to the prospectus and the Key Information Documents (PRIIPS-KID) for the UCITS before making any final investment decision. These are available free of charge on request from Pure Capital S.A. at +352 26 39 86 or on its website www.purecapital.eu and from Miltenberg Capital Ltd at contact@miltenbergcap.com or on its website www.miltenbergcap.com. The PRIIPS-KID, the prospectus, the half-yearly report and the annual report are available in English.

The information presented above does not constitute investment advice and is intended for promotional purposes. It is neither a binding contractual document nor a disclosure document required by law, and is not sufficient for making an investment decision.

Past performance is not a reliable indicator of future results. Performance may vary over time. Investments are subject to market fluctuations and the investor may get back less than is invested. Exposures, allocations and investments may vary in the future in response to different market conditions at the discretion of Pure Capital S.A and Miltenberg Capital Ltd. There can be no guarantee that the investment objectives will be achieved.

The management and custodian fees, as well as any other costs which, in accordance with the prospectus, are charged to the sub-fund, are included in the calculation of the net asset value and, consequently, the performance.

An annual custody fee may be charged by the account holder. They vary from one institution to another. To find out about them, it is necessary to ask for it.

The tax treatment of this product depends entirely on the investor’s situation.

Investors can find out about their rights at https://www.purecapital.eu/legal.html. A summary is available in English and French.

Any complaints or claims can be addressed in writing to the head office of Pure Capital S.A.:

Pure Capital S.A., 2 rue d’Arlon, L-8399 Windhof, Grand Duchy of Luxembourg, for the attention of Mr Thierry Léonard, Managing Partner.

Pure Capital S.A. may decide to cease the marketing of its collective investment schemes in accordance with Article 93a of Directive 2009/65/EC and Article 32a of Directive 2011/61/EU.