The Genesis Emerging Markets Investment Company

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	% Return (in US$)				
	1 Month	**3 Months**	**1 Year**	**5 Years**	**Since Inception***
GEMIC	**3.22**	**8.97**	**6.94**	**91.08**	**494.70**
MSCI EM (TR)	3.51	7.11	4.61	51.79	240.36

* *June 1, 1994*

Market Performance – May 2014

Emerging markets made its fourth consecutive monthly gain, closing May up 3.5% (the same as the YTD return).

Significant gains were seen in a number of countries in the EMEA region (up 5%). Hungary climbed 13%, Russia rose by 12%, although it remains the weakest country YTD (down 10%) in the EM index, while Turkey increased by 10% resulting in it being the top performing emerging market YTD (up 24%). Elsewhere South Africa gained 2% and Egypt fell by 4%. The dominant markets in Asia (up 4%) were all strong, particularly India (up 10%) following the market's positive reaction to the election results. China, South Korea and Taiwan were all broadly in line with Asia's return but the military coup in Thailand contributed to its market falling by 3%. Latin America was the laggard region in May, just slipping into negative territory. Mexico and Chile gained 3% and 2% respectively but Brazil's 2% loss offset these gains.

IT was the top performing sector, posting a 6% gain, followed by energy and financials which both rose by 4%. The consumer sectors gained around 3% while materials ended the month flat.

Portfolio Performance – May 2014

A number of Indian positions were among the top contributors to the portfolio return, most notably Axis Bank (up 24%) and Shriram Transport Finance (up 32%). Two Russian holdings were also prominent as Sberbank rose by 19% and Novatek gained 12% while elsewhere Samsung Electronics (South Korea), the second largest holding in the portfolio, increased by 9%. All the sizeable detractors were in Africa: Anglo American (South Africa) retreated by 8%, Tullow Oil's share price lost 5%, OCI (Egypt) lost 10% and the share price of African Bank Investments (South Africa) fell by 33% following disappointing results.

Turning to relative performance, gains from stock selection were achieved in Russia, South Korea and Nigeria while the underweight position in the weak Brazilian market also added value. Further gains were made in India through the portfolio's overweight position. These were countered by stock selection losses in South Africa and China. From a sector perspective, financials was the standout contributor while losses were incurred in IT and materials.

Portfolio Activity – May 2014

May was a busy month for the portfolio in terms of trading, with much of the action centred around two of the largest markets, China and India. In the latter, advantage was taken of the post-election market euphoria as six positions were trimmed, most notably Maruti Suzuki and Shriram Transport Finance, although there was a notable purchase at the end of the month as Infosys was added to on weakness. China was almost a mirror image as six positions were trimmed, most notably China Life, which was sold from the portfolio, and China Overseas Land, while a major purchase was a new addition to the portfolio, AIA Group.

Elsewhere we added to the positions in KBank (Thailand), Samsung Fire & Marine (South Korea) and Grupo Pão de Açúcar (Brazil). In total, there were five new holdings added to the portfolio during the month. However, two of them (the South Korean snack food company Orion and the Hungarian bank OTP) saw rapid price rises, preventing them from making much of an impression on the portfolio at this stage. We will look to take advantage of further opportunities to build sizeable positions.

Along with AIA Group, the other notable new holdings were First Cash (Mexico) and 7-Eleven Malaysia, the latter purchased via an IPO.

AIA is the leading Asian ex-Japan life and health insurance business, having been founded in 1919 in Shanghai. Its largest markets are Thailand, Hong Kong, Singapore, Malaysia and China. Asia ex-Japan life insurance penetration is a multi-decade story with current densities only about 10-15% of developed market levels. Returns are attractive and rising and the company's financial foundation is solid. They have a trusted brand, a differentiated agency and banc-assurance distribution, and have the efficient scale which is required in this business.

First Cash is Mexico's largest full-service, large format pawn operator with 605 stores, as well as being one of the largest pawn operators in the US with 310 stores (mainly in Texas). It creates significant value from two main sources, both from interest and service fees collected on small short-term loans and also from a ~40% margin earned on retail sales of merchandise acquired through collateral forfeitures. Mexico is still highly underpenetrated and presents a unique opportunity for the company to continue to benefit from a severely underdeveloped Mexican banking system.

The **7-Eleven** franchise in Malaysia is the largest convenience store chain in the country, with a 37% market share. There had been underinvestment in the business both financially and managerially, but in the last couple of years a revitalisation plan was launched. This included a number of senior staff changes and in 2013 the implementation of store refurbishments, a new IT system to facilitate merchandise management and new fresh food offerings to boost margins began. 2014 and 2015 should be the years of delivery.

The month-end cash position was 1.3%.