EDISON

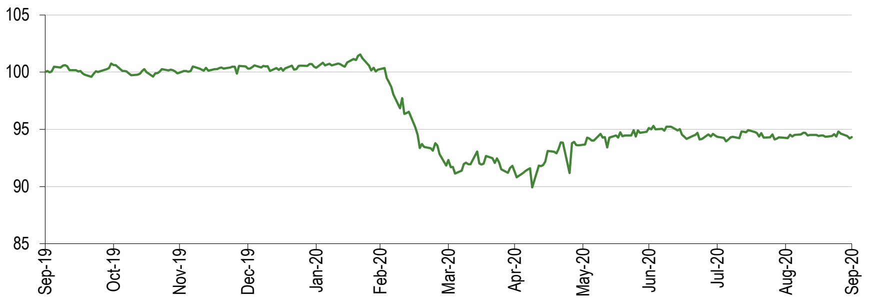
Aberdeen Latin American Income Fund

Celebrating its 10-year anniversary

Investment companies
Latin American equities/debt

Aberdeen Latin American Income Fund (ALAI) is managed by Aberdeen Standard Investments' (ASI's) global emerging markets equities and emerging market debt teams, providing exposure to both Latin American equities and government debt. The company's relative performance came under pressure during the coronavirus-led market sell-off earlier in 2020, but is now showing signs of improvement. ALAI's managers are constructive on the outlook for Latin America over the next 12 months, expecting considerable economic improvement from the Q220 weakness due to the COVID-19 lockdowns, helped by unprecedented monetary and fiscal stimulus in the region.

NAV versus the benchmark over the last 12 months – relative performance recovering since market sell-off in early 2020



Source: Refinitiv, Edison Investment Research

The market opportunity

Latin America has been hit hard by the coronavirus pandemic in terms of both human and economic costs. This is reflected in the relatively poor performance of markets in the region. However, this may signal an opportunity for investors with a longer-term view who are looking to diversify their exposure.

Why consider investing in ALAI?

- Offers exposure to both Latin American equities and government debt.
- Well-resourced investment teams with consistent quality and value approach.
- Regular quarterly dividends and attractive 7.1% yield.
- Signs of economic improvement in the region following COVID-19 lockdowns.
- Supportive monetary backdrop in Latin America.

Scope for a higher valuation

ALAI's current 15.0% share price discount to cum-income NAV is wider than the average 14.8%, 14.1%, 13.5% and 8.4% discounts over the last one, three, five and 10 years respectively. There is potential for the discount to narrow if there is improved investor sentiment towards Latin America. ALAI's annual dividend has held steady for the last five financial years (current yield of 7.1%).

21 October 2020

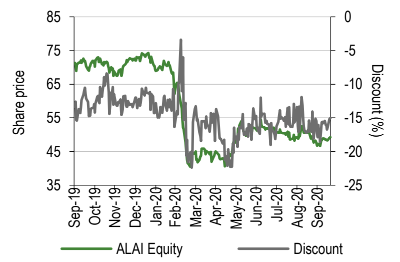
Price	**49.2p**
Market cap	**£28.1m**
AUM	**£39.6m**

NAV*	57.9p
Discount to NAV	15.0%
NAV**	57.9p
Discount to NAV	15.0%

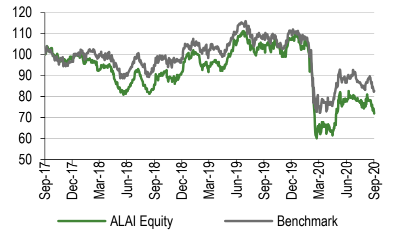
*Excluding income. **Including income. As at 19 October 2020.

Yield	7.1%
Ordinary shares in issue	57.1m
Code	ALAI
Primary exchange	LSE
AIC sector	Latin America
Benchmark	Composite benchmark

Share price/discount performance



Three-year performance vs index



52-week high/low	74.3p	40.5p
NAV* high/low	84.2p	49.3p

*Including income.

Gearing

Net*	15.2%

*As at 9 October 2020.

Analysts

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Edison profile page

Aberdeen Latin American Income Fund is a research client of Edison Investment Research Limited

Exhibit 1: Company at a glance

Investment objective and fund background

Aberdeen Latin American Income Fund (ALAI) aims to provide investors with a total return and an above-average yield, primarily through investing in Latin American securities. While the portfolio is constructed without reference to any benchmark, the company measures its performance against a composite index (in sterling terms): 60% MSCI EM Latin America 10/40 Index and 40% JP Morgan Government Bond Index EM Global Diversified (Latin America carve-out).

Recent developments

- 28 September 2020: declaration of 0.875p per share fourth interim dividend.
- 19 August 2020: appointment of Howard Myles as non-executive director (effective 1 October 2020).
- 14 August 2020: announcement of new £6m debt facility with Scotiabank Europe replacing an £8m facility with Scotiabank (Ireland).
- 25 June 2020: declaration of 0.875p per share third interim dividend.
- 6 May 2020: six-month results ending 29 February 2020. NAV TR -8.0% versus benchmark TR -8.2%, share price TR -8.2%. Declaration of 0.875p per share second interim dividend.

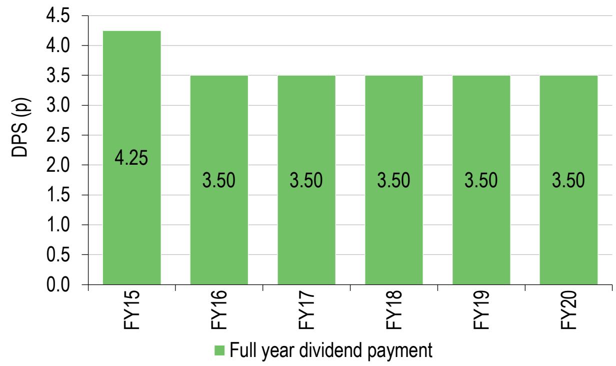
Forthcoming	
AGM	December 2020
Final results	November 2020
Year end	31 August
Dividend paid	Jan, May, Jul, Oct
Launch date	16 August 2010
Continuation vote	None

Capital structure	
Ongoing charges	Capped at 2.0%
Net gearing	15.2%
Annual mgmt fee	1.0%
Performance fee	No
Company life	Indefinite
Loan facilities	£6m

Fund details	
Group	Aberdeen Standard Investments
Manager	Aberdeen Asset Managers
Address	Sir Walter Raleigh House, 48–50 Esplanade, St Helier, Jersey JE2 3QB
Phone	0808 500 00 40
Website	www.latamincome.co.uk

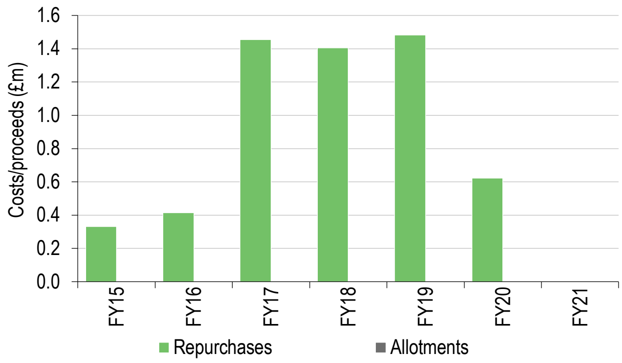
Dividend policy and history (financial years)

ALAI pays quarterly dividends in January, May, July and October.

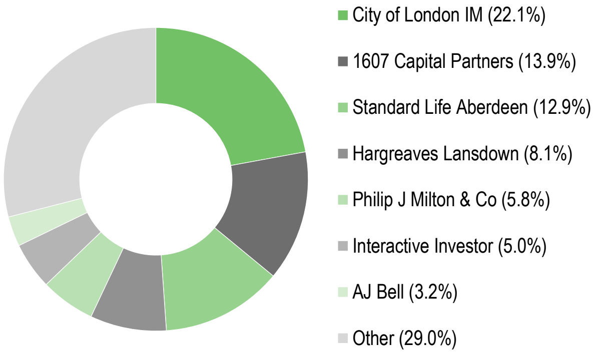


Share buyback policy and history (financial years)

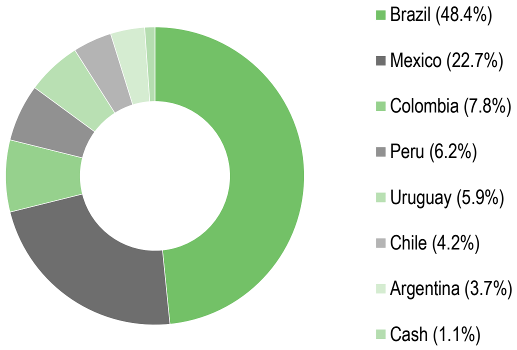
Renewed annually, the board has the authority to repurchase up to 14.99% and allot up to 10% of shares.



Shareholder base (as at 31 August 2020)



Portfolio exposure by geography (as at 31 August 2020)



Top 10 holdings (as at 31 August 2020)

Company	Country	Sector	Portfolio weight % 31 August 2020	Portfolio weight % 31 August 2019*
Colombia (Rep of) 9.85% 28/06/27	Colombia	Government bond	6.6	4.8
Brazil (Fed Rep of) 10% 01/01/25	Brazil	Government bond	6.5	8.2
Banco Bradesco	Brazil	Financials	4.0	5.2
Uruguay (Rep of) 4.375% 15/12/28	Uruguay	Government bond	3.8	3.5
B3 Brasil Bolsa Balcao	Brazil	Financials	3.7	N/A
Petrobras	Brazil	Energy	3.6	4.5
Mex Bonos Desarr Fix Rt 10% 20/11/36	Mexico	Government bond	3.6	4.3
Mex Bonos Desarr Fix Rt 8.5% 18/11/38	Mexico	Government bond	3.6	3.7
Vale	Brazil	Materials	3.0	N/A
Bradespar	Brazil	Materials	2.9	N/A
Top 10 (% of portfolio)			**41.3**	**46.1**

Source: ALAI, Edison Investment Research, Bloomberg. Note: *N/A where not in end-August 2019 top 10.

Market outlook: Upside potential in Latin America

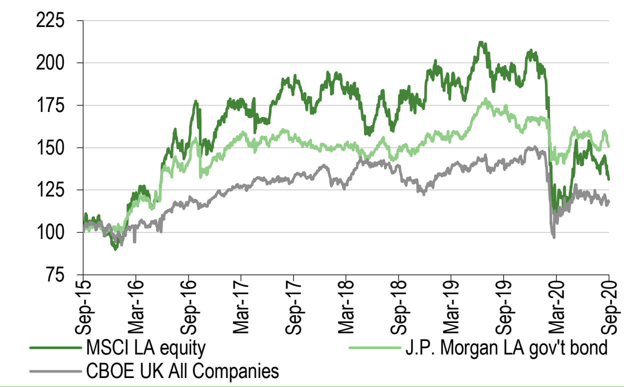
In common with most markets, Latin American equities fell more sharply than government bonds during the market sell-off earlier in 2020 in response to the coronavirus outbreak. As a result, Latin American government bonds have performed better than both Latin American and UK equities (in sterling terms) over the last five years (Exhibit 2, LHS).

The region has been hit hard by the pandemic. For example, in its October 2020 update, the International Monetary Fund's 2020 economic growth estimates for Brazil and Mexico are -5.8% and -9.0% respectively. However, there are signs of improvement helped by unprecedented monetary policy (including record-low interest rates in Brazil) and fiscal support, while the Chinese economic recovery appears to be coming through stronger than expected, providing robust demand for commodities, which are important exports for Latin America. In Brazil, the government is pushing ahead with its reform programme, which should support future growth in the country, while over the longer term, the region should continue to benefit from powerful trends including an expanding middle class with increasing amounts of disposable income.

Considering equity valuations, on a forward P/E basis Latin America looks relatively attractive versus the world market in both absolute and relative terms. Investors looking to diversify their exposure, and who have a longer-term perspective, may consider that the market pullback earlier this year has provided an attractive opportunity.

Exhibit 2: Market performance and valuations (last five years)

Performance of indices (£-adjusted)



Datastream indices forward P/E valuations (x)

	Last	High	Low	Five-year average	Last as % of average
Latin America	13.0	15.1	9.7	13.2	98
Brazil	13.2	15.9	9.8	12.5	106
Mexico	13.7	19.1	11.4	15.2	90
US	23.1	23.5	14.3	17.8	130
UK	14.1	15.7	9.7	13.8	102
World	19.2	19.5	12.4	15.4	125

Source: Refinitiv, Edison Investment Research. Note: Valuation data as at 20 October 2020.

Fund profile: Equity and fixed income exposure

Launched on 16 August 2010, ALAI is a Jersey-incorporated closed-end investment company and is listed on the Main Market of the London Stock Exchange. The fund is managed by ASI's global emerging markets equities and emerging market debt teams. It aims to generate a total return with an above-average yield from a diversified portfolio of Latin American securities. ALAI's performance is benchmarked against a composite index: 60% MSCI EM Latin America 10/40 Index and 40% JP Morgan Government Bond Index EM Global Diversified (Latin America carve-out); both are sterling adjusted. The benchmark is used as a measurement rather than a portfolio construction tool, so there will be periods when the performance of the fund and that of the composite index diverge. ALAI's portfolio contains equity, equity-related and fixed income securities; at the end of August it was split broadly 60:40 between equities and government bonds. In order to mitigate risk, at least 25% of gross assets must be held in equity and equity-related investments, and at least 25% in fixed income investments. At the time of investment, a maximum 15% of gross assets may be held in a single company, with up to 25% in non-investment grade government debt (rated BB+/Ba1 or lower). ALAI has no restrictions on its geographic, sector or market cap exposure. Derivatives are permitted for efficient portfolio management and to mitigate risk (up to 50% of gross assets). Gearing of 20% of net assets is permitted at the time of drawdown; at 9 October 2020, net gearing was 15.2%.

The fund manager: Aberdeen Standard Investments

The managers' view: Constructive view on economic recovery

Two of ALAI's managers, Viktor Szabó (a member of ASI's emerging market debt team) and Brunella Isper (a member of ASI's global emerging markets equities team), offer us their perspectives on events and their outlook for Latin America. Szabó says the area has been hit badly by COVID-19; there has been an increase in infections and although policy responses have differed by country, each has experienced lockdowns. Brazil, by far the largest economy in the region, has had the largest number of cases and has so far been unable to substantially reduce the number of new infections. While President Jair Bolsonaro downplayed the seriousness of the virus, he contracted the disease himself, although he has since recovered from the infection. Within Brazil, there have been ongoing political tensions between the state and local governments, as the president's view is that the negative effects of economic lockdowns outweigh the impact of the virus itself.

Turning his attention to other Latin American countries, Szabó says that in Mexico, the number of new COVID-19 cases is somewhat lower than those in Brazil, but there are no convincing signs that they are declining. He notes that Peru has had the worst fatality rate in Latin America and is one of the highest in the world, explaining that this is due to idiosyncratic factors including geography, high levels of poverty and poor policy decisions. The manager suggests that Colombia has seen a 'decent decline' in the number of new cases, while in Argentina the virus is out of control, although it has been well contained in Uruguay.

Szabó explains that Brazil saw less of a GDP contraction in Q220 than most other countries in the region, as it is more of a closed economy and less reliant on exports, while there was also economic support from cash handouts. The manager says that within Latin America the coronavirus has had an unprecedented economic impact, but the monetary and fiscal policy responses from the authorities have also been unprecedented, in an attempt to avoid a worst-case scenario. Interest rates have been reduced; for example, in Brazil, the Selic is now at a record low of 2%, and there has been significant support from central banks, such as the Bank of Mexico, which opened up a swap mechanism with the US Federal Reserve to increase access to dollar liquidity. Szabó says that not all of the fiscal support packages in Latin America have yet been implemented. Countries have experienced revenue declines across the board, while there have been significant increases in expenditures such as for healthcare, subsidies, handouts, benefits and tax deferrals. The manager says that support packages of up to 12% of some countries' GDP in the region are 'ginormous'; however, there are signs of economic recovery. He highlights that industrial production numbers are rising from the April/May troughs, and while they are not yet in positive territory year-on-year, the shortfall is now smaller. Szabó says that 'the virus has overshadowed everything in Latin America'; however, in Brazil, despite the difficult situation, progress is being made on its reform programme. The sanitation bill has been approved by the Senate and the administrative reform bill was sent to Congress in September. Further proposals discussed by the legislature include a fiscal emergency plan and a federative pact, both intended to increase budget flexibility. The social transfer system could be consolidated, maybe into a single big fund, which the manager believes would increase efficiencies. He argues that the tax burden is one of the big impediments to growth in Brazil, and hopefully will be addressed in early 2021, as the debate on tax reform has already started in Congress.

The manager is constructive towards Latin America over the next 12 months, believing the recovery in economic activity should support the market following a difficult period. He suggests that countries will have to address their deteriorating fiscal balances, and action on this is likely by the end of 2021. Szabó explains that a side-effect of the recession has been an improvement in external balances, which should provide currency support. Latin American currencies weakened during the market sell-off and have not fully recovered. The manager says that during the coronavirus crisis, somewhat surprisingly, 'remittances have held up pretty well' – the World Bank was concerned that these would be under pressure; however, more money has been flowing into emerging markets during the pandemic, providing support for currencies in the regions. In terms of fixed income markets, Szabó says that coming to the end of an interest rate cutting cycle would suggest a cautious view, but given benign inflation in Latin America, he does not expect interest rate hikes any time soon and suggests that steep yield curves will 'provide decent return from fixed interest securities'.

Isper comments that 'Latin America has been the epicentre of the global economic shocks', experiencing a sharp equity market sell-off, especially in Q120, from which it did not fully recover in the following quarter. She says that the significant oil price decline in March along with the coronavirus outbreak 'caused a lot of pain in equity markets'. Year-to-date to the end of September 2020, the MSCI Emerging Markets Latin America Index (in US dollar terms) declined by more than 35%. Isper explains that a large part of this is due to Latin American currency weakness and in fact there has been 'a good recovery in the market in local currency terms'. She continues: 'as the market has rallied, valuations are no longer as attractive, although they are not expensive' – based on 2021 earnings, in aggregate stocks are now trading in line with their 10-year average, although the manager sees good value in some of the sectors that have lagged.

Summing up, the managers are surprised how resilient Latin America has been given the unprecedented shock of the pandemic on the economy and the healthcare sector. Szabó notes: 'we have not seen sovereign balance sheet stresses and in the corporate sector there have been some defaults, but generally companies have managed the crisis quite well, indicating the maturity of businesses in the region'. He argues that 'Latin America is on the road to recovery – it is bumpy, but I expect improvement as support in the region has been unprecedented'. He believes that countries with younger populations should rebound faster than developed markets. Isper is also constructive on the outlook for the region: 'on the ground, the concerns about liquidity which were prevalent in March have proved unfounded, and companies have handled the crisis pretty well'. She is not concerned about the gearing of portfolio companies, believing that 'they should come out of the pandemic as stronger businesses and are well positioned for a recovery'. The manager is comfortable with the quality of companies in ALAI's portfolio and believes 'the recovery is happening quicker than expected'.

Asset allocation

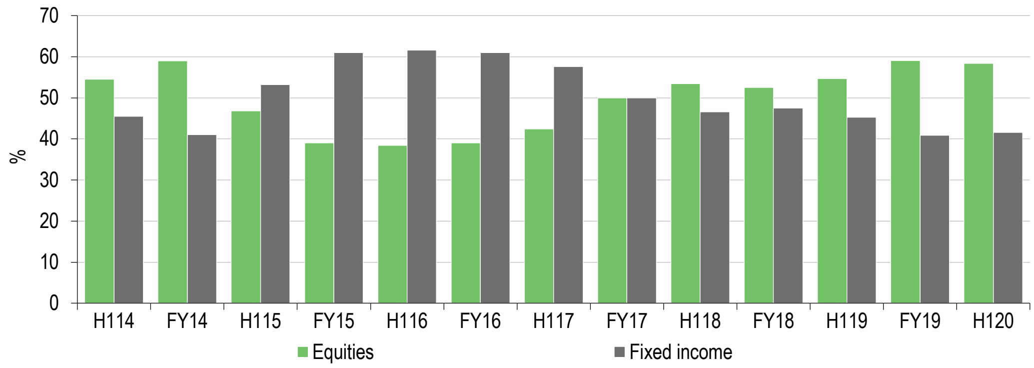
Investment process: Focus on quality and value

ALAI is managed by ASI's global emerging markets equities team and emerging market debt team, which adhere to ASI's focus on quality and value. The two teams communicate regularly to discuss the macro backdrop, findings from recent company meetings and portfolio positioning (including the level of gearing).

Stocks are selected following thorough fundamental analysis – the emerging markets equities team essentially seeks 'long-term winners'. These are high-quality companies with strong balance sheets that are cash generative and have strong management teams. An assessment of a firm's environmental, social and governance (ESG) credentials is integral to the investment process. Risk management is also an important consideration; ASI has an independent performance and risk team to ensure funds adhere to their respective guidelines and managers are aware of their risk exposures. ALAI's portfolio turnover is relatively low, generally around 15% pa, which implies an average seven-year holding period, although many equity investments have been held for considerably longer.

The emerging market debt team seeks high-quality securities that generate a sufficient level of income, so investments are biased to higher-coupon issues, ensuring that the equity team can focus on selecting companies for their total return potential rather than income. Analysis is on a bottom-up basis, with emphasis on the perceived prospects of each individual country. The team looks for relative value opportunities and builds ALAI's debt exposure accordingly. For liquidity reasons, investments are made in government or quasi-government issuers rather than corporate debt. They are generally in local rather than hard currencies, but the team can hedge or take forward currency positions. Fixed income positions are also held for the long term.

Exhibit 3: Portfolio exposure (since FY13)



Source: Aberdeen Latin American Income Fund, Edison Investment Research

Current portfolio positioning

At end-August 2020, ALAI's top 10 positions made up 41.3% of the portfolio, which was a lower concentration than 46.1% a year earlier; seven positions were common to both periods. As shown in Exhibit 4, the fund was broadly split 60:40 between equities and fixed income.

Exhibit 4: Current portfolio breakdown (% unless stated)

	Portfolio end-August 2020	Portfolio end-August 2019	Change (pp)
Equity exposure	60.3	59.1	1.2
Fixed income exposure	39.7	40.9	(1.2)
Number of holdings	59	65	

Source: Aberdeen Latin American Income Fund, Edison Investment Research

In terms of ALAI's geographic exposure, as shown in Exhibit 5, over the 12 months to end-August 2020, the largest change was a 4.9pp lower weighting in Brazil, although this country still makes up around a half of the portfolio. Other notable changes were higher exposures to Colombia (+3.0pp) and Argentina (+2.1pp).

Exhibit 5: Total portfolio breakdown by geography (% unless stated)

	Portfolio end-August 2020	Portfolio end-August 2019	Change (pp)
Brazil	48.4	53.3	(4.9)
Mexico	22.7	24.3	(1.6)
Colombia	7.8	4.8	3.0
Peru	6.2	4.4	1.8
Uruguay	5.9	5.8	0.1
Chile	4.2	4.1	0.1
Argentina	3.7	1.6	2.1
Cash	1.1	1.7	(0.6)
	100.0	**100.0**	

Source: Aberdeen Latin American Income Fund, Edison Investment Research

Commenting on activity in ALAI's equity portfolio, Isper says that the team has recycled profits from those companies that have been beneficiaries of the pandemic into businesses where there is still some caution, but where there has been somewhat of a recovery. She notes that retail sales in the region are coming back quickly, helped by the available fiscal packages, although she is mindful that when these are rolled back and unemployment rises, there will be some risk to parts of the consumer sector.

There have been no new equity positions initiated in recent months, although there are a few complete disposals. The manager says that there was a valuation opportunity to sell the low-conviction holding in Banco Santander Mexico, and the relatively new position in Instituto de Resseguros do Brasil (IRB) was sold due to significant concerns about the company's corporate governance and accounting practices, and the departure of its senior executive team. BRF Global exited the portfolio because of operational issues, increased leverage and an unfavourable cycle; the company is a commodity exporter of poultry and its business is prone to volatility.

ALAI's exposure to Brazilian stock exchange B3 was increased, and it is now a top 10 position. Isper explains that there has been 'quite a big improvement in Brazilian capital markets'. Due to record low interest rates there has been a shift by retail investors from fixed income securities to equities. The position in railroad operator Rumo (which operates in the main grain corridor in Brazil) was increased; the company is a beneficiary of the current environment as the agricultural sector is largely unaffected by the coronavirus pandemic. The manager says there were also valuation opportunities to add to ALAI's positions in Banco Santander-Chile, FEMSA, Vale and Walmart de México y Centroamérica (Walmex). Vale is benefiting from robust commodity demand from China and the company has recently restarted dividend payments following their suspension due to the Brumadinho dam disaster in early 2019. ALAI's positions in Ambev, Lojas Renner, Multiplan, Petrobras and XP were reduced as the managers felt their valuations had got ahead of fundamentals.

Szabó says that activity in ALAI's fixed income portfolio has been modest in recent months. He undertook a currency switch to move to a more defensive position by selling the Brazilian real and purchasing the Peruvian sol. He was disappointed by the response of the authorities to the pandemic in Brazil, while the Peruvian central bank intervened to support its currency. These positions were subsequently unwound.

Performance: Affected by 2020 market sell-off

Exhibit 6: Five-year discrete performance data

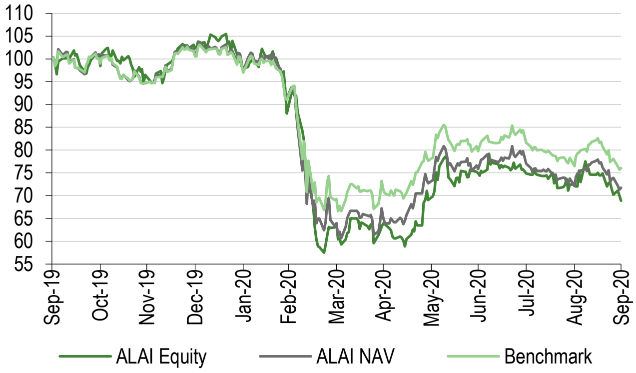
12 months ending	Share price (%)	NAV (%)	Composite benchmark (%)*	MSCI EM Latin America 10/40 (%)	JP Morgan GBI-EM Global Diversified (Latin America) (%)
30/09/16	58.9	57.0	47.2	50.5	41.4
30/09/17	19.9	19.8	17.0	22.0	9.3
30/09/18	(14.3)	(12.4)	(4.9)	(6.0)	(3.8)
30/09/19	21.8	17.6	14.2	13.4	14.7
30/09/20	(31.1)	(28.2)	(23.9)	(32.4)	(11.7)

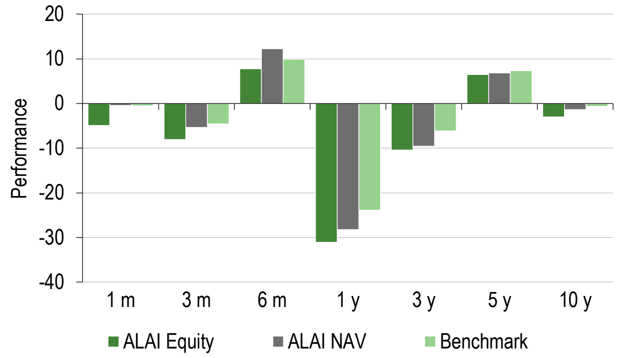
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *Composite benchmark is 60% MSCI EM Latin America 10/40 Index and 40% JP Morgan Government Bond Index EM Global Diversified (Latin America carve-out).

Latin American equity and bond markets can be volatile, as illustrated in the five years of discrete returns in Exhibit 6. The significant weakness over the last 12 months to end-September has erased ALAI's positive NAV and share price absolute returns over the last decade (Exhibit 7). However, ALAI has outperformed the majority of its Latin American peers (Exhibit 11), and perhaps this low point provides an opportunity for long-term global investors.

Exhibit 7: Investment company performance to 30 September 2020

Price, NAV and benchmark total return performance, one-year rebased	Price, NAV and benchmark total return performance (%)





Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

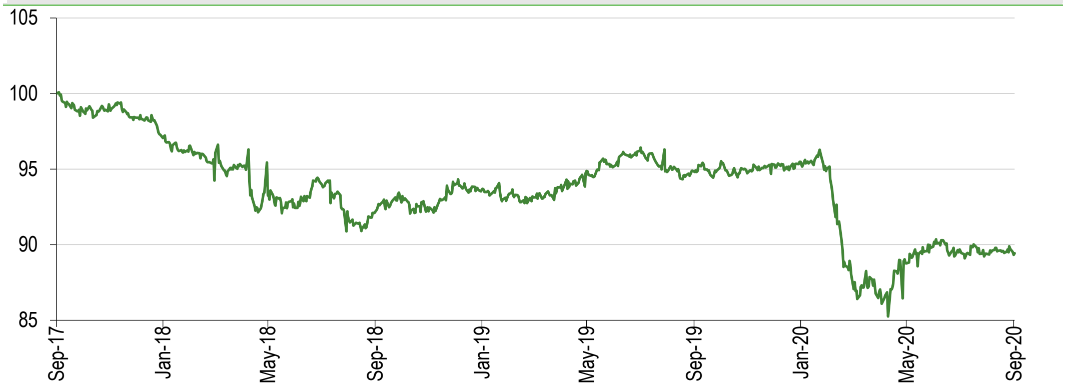
ALAI's relative returns are shown below in Exhibit 8. The company suffered a significant step down in performance during the market sell-off earlier in 2020, as both the equity and fixed income segments of the portfolio underperformed their respective benchmarks. This has affected ALAI's long-term performance record; its NAV has now trailed the benchmark over almost all of the periods shown. However, as shown in Exhibit 9, in recent months the company's relative performance has started to improve. Positive contributors include ALAI's holdings in Argentine IT services company Globant and Brazilian software companies TOTVS and Linx, which received a takeover bid.

Exhibit 8: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to benchmark	(4.4)	(3.7)	(1.9)	(9.4)	(12.9)	(3.7)	(21.3)
NAV relative to benchmark	0.1	(0.8)	2.2	(5.7)	(10.6)	(2.3)	(6.8)
Price relative to MSCI EM LA 10/40	(3.2)	(2.6)	(4.6)	2.0	0.0	3.7	3.8
NAV relative to MSCI EM LA 10/40	1.3	0.2	(0.6)	6.2	2.7	5.2	22.9
Price relative to JP Morgan LA gov't bond	(6.1)	(5.0)	3.1	(22.0)	(26.1)	(8.9)	(43.0)
NAV relative to JP Morgan LA gov't bond	(1.7)	(2.2)	7.4	(18.8)	(24.1)	(7.6)	(32.5)
Price relative to CBOE UK All Companies	(3.1)	(4.5)	1.5	(16.0)	(19.3)	16.8	(54.7)
NAV relative to CBOE UK All Companies	1.4	(1.7)	5.7	(12.5)	(17.2)	18.4	(46.4)

Source: Refinitiv, Edison Investment Research. Note: Data to end-September 2020. Geometric calculation.

Exhibit 9: NAV total return performance relative to composite benchmark over three years



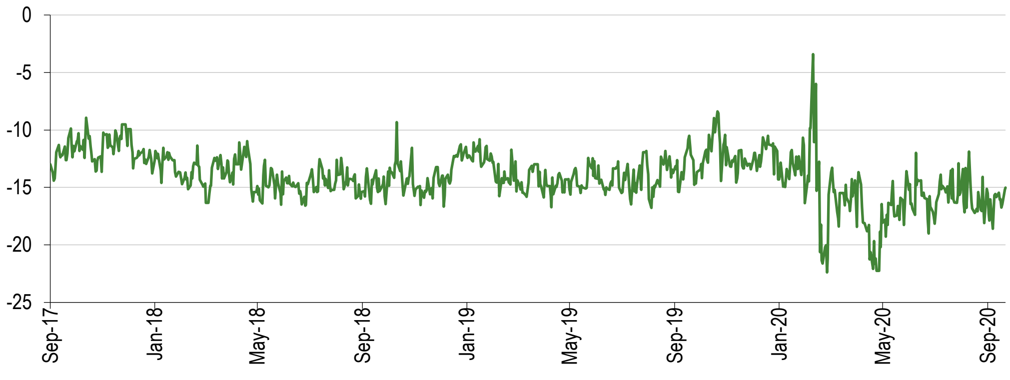
Source: Refinitiv, Edison Investment Research

Discount: Wider than historical averages

ALAI's valuation has stabilised following a period of coronavirus-induced volatility earlier this year. The current 15.0% share price discount to cum-income NAV compares with the range of 3.4% to a decade-wide 22.4% discount over the last 12 months. It is wider than the 8.4% to 14.8% range of discounts over the last one, three, five and 10 years.

Renewed annually, the board has the authority to repurchase up to 14.99% and allot up to 10% of issued shares to manage a discount or premium. In H120, c 0.9m shares (c 1.5% of the share base) were repurchased at an average discount of 12.3% to ex-income NAV at a cost of £0.6m.

Exhibit 10: Share price discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

ALAI is a Jersey-registered investment company with one class of share; there are currently 57.1m ordinary shares in issue (with a further 6.1m held in treasury). On 14 August 2020, the company announced that it had entered into a new unsecured one-year £6m multi-currency revolving debt facility with Scotiabank Europe, replacing an £8m unsecured facility with Scotiabank Ireland; £5.5m has been drawn down at an all-in rate of 1.50713%. ALAI is not permitted to take out fixed long-term borrowings. At 9 October 2020, the company's net gearing was 15.2%.

ALAI pays Aberdeen Standard Capital International Limited an annual management fee of 1.0% of its NAV, split 40:60 between the revenue and capital accounts respectively reflecting the prospective split between future revenue and capital growth. The fund's ongoing charge ratio (OCR) is capped at 2.0%, and any excess fees are rebated. In FY19 the OCR 2.0%, which was in line with FY18.

Dividend policy and record

ALAI's annual dividend was rebased in FY16 from 4.25p to 3.50p per share due to the depreciation of Latin American currencies. The board expects regular quarterly interim dividends of 0.875p per share to continue as it has built up significant reserves in recent years. In FY19, the dividend was 1.2x covered, and at the end of the period ALAI had revenue reserves of £2.7m, which is equivalent to c 1.3x the last annual distribution. Based on its current share price, ALAI offers a 7.1% yield.

Peer group comparison

ALAI is one of just two funds in the AIC Latin America sector; they are not directly comparable as while ALAI has a significant exposure to government bonds, BlackRock Latin American Investment Trust is an equity fund. ALAI's NAV total returns are ahead of its peer's over all periods shown. The fund has a wider discount and a higher ongoing charge (capped at 2.0%) due to spreading fixed costs over a smaller asset base. ALAI has a higher level of gearing and a higher dividend yield. In Exhibit 11 we also highlight a range of open-ended equity funds that invest in Latin America to enable a broader comparison. ALAI's NAV total returns are above their average returns over all periods shown. Its dividend yield is significantly higher than all those of the open-ended funds.

Exhibit 11: Selected peer group as at 21 October 2020*

% unless stated	Market cap/ fund size £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Aberdeen Latin American Income	28.1	(22.2)	(23.6)	40.0	(10.7)	(16.4)	2.0	No	115	7.1
BlackRock Latin American	125.0	(27.8)	(28.5)	26.5	(32.1)	(9.6)	1.1	No	110	6.1
Average	**76.6**	**(25.0)**	**(26.0)**	**33.3**	**(21.4)**	**(13.0)**	**1.6**		**112**	**6.6**
ALAI rank	**2**	**1**	**1**	**1**	**1**	**2**	**1**		**1**	**1**
Open-ended funds							**TER**			
ASI Latin American Equity	84.2	(28.5)	(30.3)	33.4			1.6			0.9
Fidelity Latin America	398.8	(21.3)	(20.9)	39.2	(22.4)		1.1			0.0
Schroder ISF Latin American	112.9	(19.5)	(18.5)	38.7	(31.8)		1.9			4.2
Templeton Latin America	474.9	(24.6)	(24.9)	32.0	(36.9)		2.3			0.9
Threadneedle Latin America	252.8	(22.6)	(24.3)	24.5	(39.9)		1.7			1.1
Average	**264.7**	**(23.3)**	**(23.8)**	**33.6**	**(32.7)**		**1.7**			**1.4**

Source: Morningstar, Edison Investment Research. Note: *Performance as at 20 October 2020. TR = total return. TER = total expense ratio. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

ALAI's board currently has four independent, non-executive directors. Richard Prosser has been chairman since the fund was launched on 16 August 2010, while Hazel Adam joined the board on 27 April 2018, followed by Heather MacCallum on 24 April 2019.

On 19 August 2020, the board announced the appointment of Howard Myles as ALAI's fourth independent, non-executive director with effect from 1 October 2020, following a search conducted by an independent recruitment consultancy. From 2001 to 2007 he was a partner with Ernst & Young, responsible for the investment funds corporate advisory team. Myles is currently senior independent director of BBGI SICAV, chairman of the audit committee at Chelverton UK Dividend Trust and chairman of Baker Steel Resources Trust. He will stand for election as one of ALAI's directors at the 2020 AGM, which is due to be held on or around 10 December.

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