

DEC 2020 | Commentary

LEGG MASON MARTIN CURRIE EMERGING MARKETS FUND

Investment objective

The Fund aims to deliver capital growth by investing directly or indirectly in equities of companies that are quoted in or operating in one or more countries deemed to be emerging markets. The Fund aims to generate after fee returns in excess of the MSCI Emerging Markets Index expressed in Australian dollars over rolling five-year periods.

Performance (%)

	1 mth	3 mths	1 yr	3 yrs pa	5 yrs pa
Fund (net)	2.98	13.35	14.94	10.24	16.13
Benchmark	2.51	11.18	7.77	6.65	11.49

Calendar year performance (%)

	2019	2018	2017	2016	2015
Fund (net)	28.22	-9.11	38.77	13.62	-3.35
Benchmark	18.61	-5.10	27.09	11.72	-4.30

Fund details

Inception date	September 2011
Benchmark	MSCI Emerging Markets Index (AUD)
ISIN	AU60ETL02010
APIR	ETL0201AU

Monthly review

What happened in the market?

The widespread regulatory approval of two prominent COVID-19 vaccines brought real hope that 2021 would see an end to economic lockdown and a return to growth in the global economy. The authorisation of additional pandemic financial relief in the US also provided further confidence to markets.

At a market level, IT was the strongest sector during the month, while real estate was the biggest laggard. In terms of regions, of the larger markets Turkey and Korea were the most notable positives, while China was among the weakest.

What happened in the Fund?

December was a month of optimism in global equity markets and the emerging markets were a beneficiary of this with the MSCI Emerging Markets index up 2.5%. The Fund also rose, gaining 3.0% capping off a strong 2020 seeing the Fund return 14.9% for the last 12 months, well ahead of the Benchmark.

At a stock level, Samsung Electronics was the top relative performer. As an index heavyweight, it benefited from the ongoing positive flows into emerging market equities in December. It was also viewed as a likely market-share beneficiary following the US decision to impose trade sanctions on leading Chinese semiconductor company, SMIC. Taiwan-based silicon wafer manufacturer GlobalWafers was another notable positive during the period with its offer to buy German competitor Siltronic well received by the market. GlobalWafers also gave a positive statement on the outlook for wafer pricing in 2021. Elsewhere, with increased expectations of a demand-led recovery, domestic consumer-related stocks have been strong in India. Asian Paints is well regarded by foreign and domestic investors alike and was one of the most obvious beneficiaries of this demand performing well over the month.

On the other side, Chinese domestic consumer names lagged the broader market rally in December, Prosus and Tencent were among the biggest underperformers of the stocks held in the portfolio. This reflects the fact that China was less dependent on the positive impact of COVID vaccinations to fuel its growth. Indeed, the Chinese economy had been less impacted by the effects of economic lockdown and was one of only a handful of economies to register growth in 2020. Another factor weighing on Chinese internet platform stocks was the increased focus by both the government and investors on sector regulation. This comes on the back of a number of regulatory pronouncements impacting the sector and the issuance of fines for breaches of existing regulations.

In terms of Fund activity, there were no new buys or outright sells.

Highlights

- A high conviction Fund of the best emerging market companies identified by Martin Currie's fundamental bottom up research process
- Focuses on companies where the investment team believes long-term growth prospects are not yet reflected in their stock prices
- Flexible Fund construction as investments are not restricted by market cap, country or sector limits

About us

Franklin Templeton

Franklin Resources, Inc., is a global investment management organisation, operating as Franklin Templeton, which is headquartered in California. Franklin Resources, Inc., provides, through its subsidiaries, deep investment expertise across all asset classes - including equity, fixed income, and multi-asset solutions. Franklin Resources, Inc. is listed on the New York Stock Exchange and has employees in over 34 countries.

Martin Currie

Martin Currie is an active equity global specialist manager headquartered in Edinburgh, Scotland. Founded in 1881, it has been a part of the Legg Mason group since 2014 and has a significant presence in Australia through Martin Currie Australia, dating back to 1954.



Meet the team

Martin Currie has one of the most experienced and highly resourced global emerging markets team in the industry. The Fund benefits from a collaborative team-based approach which harnesses collective knowledge and enables better decisions with higher conviction.

Ratings

Quantitative



The Legg Mason Martin Currie Emerging Markets Fund received an overall rating of 5 stars out of 68 Equity Emerging Markets funds as of 31 December 2020.

Qualitative



For enquiries, please contact Client Services team on 1800 679 541, email auclientadmin@leggmason.com or visit leggmason.com.au.

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