

SEP 2021 | Commentary

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)	-3.20	-5.51	17.38	12.60	13.96
Benchmark	-2.84	-4.48	17.29	8.64	10.50

Calendar year performance (%)

	2020	2019	2018	2017	2016
Fund (net)	14.94	28.22	-9.11	38.77	13.62
Benchmark	7.77	18.61	-5.10	27.09	11.72

Fund details

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

Monthly review

What happened in the market?

In September, the MSCI Emerging Market Index was down -2.84%. The Fund was also negative, falling -3.20% (net) over the month.

Market uncertainty has continued in China and the region after consecutive months of regulatory measures being announced. However, the main driver of broader market performance this month was the Evergrande scandal, which exacerbated existing volatility and uncertainty among market participants. Evergrande is one of the most aggressively leveraged companies in the residential real estate sector in China and it has failed to meet financial regulatory targets. The company's dollar bonds also slumped in price as news emerged that regulators were examining related-party transactions between it and Shengjing Bank (an affiliate holding). The strategy has no direct exposure to real estate, however there is small indirect exposure via financial company holdings.

What happened in the Fund?

For relative performance within the Fund, consumer discretionary was the best-contributing sector and Brazil was the best at a relative country level.

At the stock level, Titan Industries continued its strong performance with positivity surrounding a strong recovery, particularly in jewellery. The company commented that demand is ahead of pre-pandemic levels. CATL was another notable relative contributor after announcing an upstream acquisition which secures it the supply of key materials. A number of brokers also upgraded their sector-wide electric vehicle penetration expectations, which was beneficial for the company. Meanwhile, Odontoprev has benefitted from its defensive characteristics despite a lack of stock-specific news flow this month.

On the other side, IT was the largest drag from a sector perspective, while at a country level, China was the weakest relative performer.

At the stock level, Shanghai Fosun Pharmaceutical was the weakest relative contributor to performance after it participated in a sector-wide sell-off related to fears of regulatory tightening. This was exacerbated by the continued delay in achieving approval for the Biontech vaccine in China. EPAM Systems was another notable detractor this month. Having experienced a prolonged period of strong performance and given a lack of stock-specific news this month, we believe the weakness is largely driven by profit-taking. Meanwhile, Gazprom benefitted from the rise in oil prices and it completed a contentious new gas pipeline leading to strong performance – as the stock is not held, this was a relative detractor from performance.

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.



Ratings

Quantitative



The Martin Currie Emerging Markets Fund received an overall rating of 4 stars out of 72 Equity Emerging Markets funds as of 30 September 2021.

Qualitative



For enquiries, please contact Client Services team on 1800 673 776, email auclientadmin@franklintempleton.com or visit franklintempleton.com.au.

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