

# NOV 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
<b>Fund (net)</b>	4.86	11.98	16.49	9.04	14.53
<b>Benchmark</b>	4.12	10.11	8.71	5.97	10.35

### Calendar year performance (%)

	2019	2018	2017	2016	2015
<b>Fund (net)</b>	28.22	-9.11	38.77	13.62	-3.35
<b>Benchmark</b>	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?

Emerging Market equities enjoyed a strong bounce in the month on the news of the COVID-19 vaccine success, with the MSCI Emerging Markets index up 4.1%. This led to a sharp reversal in market trends with sectors and countries which had underperformed year to date (YTD) rebounding strongly. For example, cyclical sectors such as energy and financials led the market this month. The portfolio more than kept pace with the market's rally. The breadth of our portfolio, which has helped deliver strong performance YTD, again outperformed over the month, up 5.0% (gross)\* – despite the extreme shift in market leadership.

At a market level energy was the strongest sector during the month, while communication services was the biggest laggard. Looking regionally, several emerging European markets (Greece, Poland and Hungary) were the most notable positives and China was the weakest.

#### What happened in the Fund?

The strong momentum in emerging markets continued into November with the MSCI Emerging Markets index up 4.1%. The Fund also rose to 4.9% .

At a stock level, LG Chem – one of the strongest performers YTD – defied the rotation and was the portfolio's top relative contributor with the market continuing to positively reappraise the tremendous structural growth opportunity for LG Chem's market-leading EV battery division. Samsung Electronics also fared well. While the company has significant long-term attractions, the market often focuses on short-term dynamics and signs of strengthening demand and pricing in the memory market helped drive the stock higher this month. Elsewhere Hungarian bank OTP was another notable positive. Like many banks, OTP has been weak over the year as investors priced in the impact of COVID. However, a combination of the anticipated recovery post-vaccine and strong results – displaying that the peak pain from COVID has passed as bad debt provisions reduced and lending growth rebounded – helped the stock to perform strongly over the month.

On the other side, Tencent was the worst relative performer for the portfolio in November. The Chinese internet giant delivered strong results which surpassed market expectations, but as one of the best-performing stocks YTD it was left behind in the dash to own beneficiaries of the vaccine trade. Not owning NIO was also a notable drag on relative performance during the month. The company has established itself as the leading new-age electric vehicle company. Like Tesla, it has no legacy auto business to concern itself with and its innovative outsourced manufacturing and differentiated marketing approach has gathered significant attention. Surging sales, an innovative 'batteries as a service offering', and the imminent deployment of leading ADAS (self-driving) has helped push the stock higher. Meanwhile, Alibaba reported strong results that exceeded market expectations, but in addition to the market rotation the share price was negatively impacted by the last minute withdrawal of the Ant IPO – due to a dramatic change in the regulatory regime and then the announcement of new anti-monopoly rules. While neither of these issues has an immediate impact on operational performance, it dented investor confidence.

## 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 30 November 2020.

### Qualitative



**For enquiries, please contact Client Services team on 1800 679 541, email [auclientadmin@leggmason.com](mailto:auclientadmin@leggmason.com) or visit [leggmason.com.au](http://leggmason.com.au).**

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