

JAN 2021 | 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) | 3.85 | 12.13 | 16.81 | 10.39 | 17.83 |
| Benchmark | 3.66 | 10.64 | 11.59 | 6.32 | 13.17 |

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?

Emerging Markets (EM) continued to rally strongly in January. As is typical in any given year, we have already started to see the wide performance outcomes at a country level and significant stock-specific moves.

At a market level, communications services was the strongest sector during the month, while financials was the biggest laggard. In terms of regions, China was the most notable positive, while Brazil was the weakest.

What happened in the Fund?

Despite some weakness towards the end of the month, the MSCI Emerging Markets index finished in positive territory, up by 3.7% and managing to outperform the S&P 500. The Fund also rose, gaining 3.85%.

At a stock level, with increasing evidence that the Chinese regulator is not targeting specific companies and seems to be taking a more measured approach, Tencent was among the best performers. In addition, there has been a continued introduction of new IPOs in the EM market (including the announcement of Kuaishou Tech – in which Tencent has a material stake) bringing some focus on Tencent's impressive investment portfolio. Taiwan Semiconductor Manufacturing Company was another notable positive following a recent update guiding for sales which are ahead of prior guidance and higher-than-expected capital expenditure. Meanwhile, as with Tencent, Chinese e-commerce platform Meituan fared well as fears regarding regulatory risk subsided. The company was also buoyed by market enthusiasm for the potential of its grocery delivery business.

On the other side, Indian consumer goods company Titan was a notable poor performer, impacted by negative sentiment at a country level. This was despite the fact that Titan gave a positive trading update at the start of the month, with its jewellery segment delivering 15% growth year on year (YoY) in the previous quarter. Similarly, another Indian holding – Asian Paints – also suffered during the month, with a disappointing market reaction to some fantastic reported quarterly numbers from the company. Consolidated sales were up 25% YoY driven by domestic decorative paint which reported volume growth of 33% YoY. Management indicated that the strong demand was due to combination of factors including demand recovery in T1 cities, strong festive/wedding demand, increased real estate activity due to lower registration taxes and pent-up demand from the earlier quarters. Management expects demand to remain favourable going forward. Elsewhere, silicon wafer manufacturer GlobalWafers, pulled back somewhat in January after a strong run of performance and was also a relative drag for the portfolio.

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 January 2021.

Qualitative



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

Past performance is not a reliable indicator of future performance. Legg Mason Asset Management Australia Limited (ABN 76 004 835 849 AFSL 240827) is part of Franklin Resources, Inc. Legg Mason Australia is the Responsible Entity of the Legg Mason Martin Currie Emerging Markets Fund (ARSN 147 940 467)(Fund). Legg Mason Australia has delegated the management of the assets of the Fund to Martin Currie Investment Management Limited ("Martin Currie"). Martin Currie is an active global equity specialist manager headquartered in Edinburgh, Scotland. Before making an investment decision you should read the Product Disclosure Statement (PDS) for the Fund carefully and you need to consider, with or without the assistance of a financial advisor, whether such an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. The PDS is available and can be obtained by contacting Legg Mason Australia on 1800 679 541 or at www.leggmason.com.au. This product has not been prepared to take into account the investment objectives, financial objectives or particular needs of any particular person. Neither Legg Mason Australia, nor any of its related parties guarantees any performance or the return of capital invested. Past performance is not necessarily indicative of future performance. Investments are subject to risks, including, but not limited to, possible delays in payments and loss of income or capital invested. These opinions are subject to change without notice and do not constitute investment advice or recommendation. © 2017 Morningstar, Inc. **The Zenith Investment Partners** ("Zenith") Australian Financial Services License No. 226872 rating (Legg Mason Martin Currie Emerging Markets Fund assigned October 2019) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>. **The Lonssec Rating** (assigned as follows: Legg Mason Martin Currie Emerging Markets Fund - June 2018) presented in this document are published by Lonssec Research Pty Ltd ABN 11 151 658 561 AFSL 421445. The Ratings are limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial products. Past performance information is for illustrative purposes only and is not indicative of future performance. They are not a recommendation to purchase, sell or hold Legg Mason Asset Management Australia Limited products, and you should seek independent financial advice before investing in these products. The Ratings are subject to change without notice and Lonssec assumes no obligation to update the relevant documents following publication. Lonssec receives a fee from the Fund Manager for researching the products using comprehensive and objective criteria. For further information regarding Lonssec's Ratings methodology, please refer to the website at: <http://www.beyond.lonssec.com.au/intelligence/lonssec-ratings>. © 2020 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision