

## FEB 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
<b>Fund (net)</b>	0.51	7.48	18.38	10.97	18.74
<b>Benchmark</b>	-0.14	6.11	13.30	6.58	13.40

#### Calendar year performance (%)

	2020	2019	2018	2017	2016
<b>Fund (net)</b>	14.94	28.22	-9.11	38.77	13.62
<b>Benchmark</b>	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?

Notable events in February included a well-received Indian budget and an adverse reaction to increased political risk in Brazil following the government's decision to appoint an army general as the head of a major state-owned enterprise.

##### What happened in the Fund?

After strong performance in the preceding months, Emerging Markets (EM) reported a marginal fall in February despite a healthy earnings reporting season, with the MSCI Emerging Markets index down by -0.1%. The Fund was up slightly, gaining 0.5%.

At a stock level, Globalwafers was among the notable outperformers. The share price for the Taiwanese semiconductor wafer producer was buoyed after the company's acquisition bid for Siltronic gathered momentum: its tender offer cleared the minimum acceptance threshold and there were no objections from Germany's national competition regulator. Elsewhere, Russian digital bank, TCS Group, fared well following the recent announcement that it will revert to a single share class, thereby removing some corporate governance concerns. This has led to a greater spotlight on the long-term growth and return prospects of the business. EPAM, the Eastern Europe-based software engineering firm, was also strong after it posted quarterly results that were ahead of expectations, with 2021 revenue guidance also more positive than the market had anticipated.

On the other side, following significant outperformance over the last 12 months, we saw some profit taking across the electric vehicle (EV) supply chain including major EV battery players Samsung SDI and LG Chem. For the latter, one of its major customers also issued a vehicle recall following battery-related safety concerns, which further impacted the share price. Elsewhere, Baidu which is not held within the portfolio was a notable drag on relative performance. The Chinese internet giant's quarterly results showed a faster than anticipated recovery in advertising and raised expectations for its long-term prospects in cloud and autonomous driving.

In terms of Fund activity, there were two new purchases. We added Chinese firm Xinyi Solar, a world leader in solar glass manufacturing – a market that is dominated by Chinese companies. Global solar demand is balanced and strong, driven by rapidly falling costs and governments' commitment to increasingly subsidy free solar projects. Solar glass is the highest return, most consolidated and least deflationary part of the solar value chain. It is one of the few 'renewable' areas with a track record of clear value creation. Also added was Antofagasta. The Chilean copper-focused miner will be a beneficiary of the long-term demand for the metal driven by its role in the electrification of products and industries. In addition, we view Antofagasta as a responsible operator in a relatively lower-risk country than sector peers. There were no outright sales.

## 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 69 Equity Emerging Markets funds as of 28 February 2021.

### Qualitative



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

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