

APR 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)	0.47	-0.30	31.96	10.05	17.03
Benchmark	1.06	1.03	26.04	6.69	12.23

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?

April was broadly a positive month for emerging markets (EM) with the MSCI Emerging Market index up 1.06%. The portfolio also made gains, rising 0.47%. The reporting season for EM got off to a generally strong start, although the news flow on COVID-19 cases remained difficult in a number of EM markets, notably India. Materials and healthcare were the strongest performing sectors with real estate and energy the laggards. South American markets delivered some of the best (Argentina, Brazil) and worst (Chile, Peru) market performance.

At an index level, materials was the strongest sector during the month, while of the larger regional markets Taiwan was notably positive while real estate was the biggest sector laggard. Regionally, Chile was the weakest.

What happened in the Fund?

The Fund was up 0.47% in April.

Within the Fund, IT was the best-contributing sector and Korea was the strongest at a relative country level. At a stock level, LG Chem was the top performer following the release of results which were well ahead of market expectations. The company reported all-time-high quarterly profit in its chemical business as well as robust battery margins. Management also highlighted the company's battery leadership and low-carbon development principles for the coming years. Elsewhere, diversified Chinese healthcare company Shanghai Fosun Pharmaceutical also fared well after it reported first-quarter results with strong revenue growth across its pharma, medtech and healthcare services segments. Its COVID-19 vaccine development is also on track as it partners with BioNTech to deliver vaccines to China. Meanwhile, strong commentary from other IT Services companies with regards outlook contributed to the outperformance of EPAM during the month.

On the other side, financials was once again the biggest drag, and at a country level, India fared the worst. At the stock level, China Gas was a notable underperformer in April as it raised fresh equity of HK\$12 billion with new shares representing 7.5% of existing shares. Proceeds will mostly be used for M&A in a range of energy distribution areas in China. However, the market will look for reassurance that these projects have attractive hurdle rates. ICBC also struggled during the month as, along with many other large Chinese banks, it gave up some of the relative outperformance it has enjoyed year to date. ICBC's first-quarter results revealed no asset quality issues, but did show weak growth in areas like fees with pre-provision profits only growing 3% year on year. Elsewhere Peruvian financial Credicorp was another notable drag on performance, impacted by negative sentiment at a country level due to political concerns. Elections in June may mean a wide range of outcomes on political reforms which could affect Credicorp as the dominant financial group in Peru.

With regards to activity, there were two new holdings added, Sea Ltd and China Merchants Bank. The former is a leading internet business with diversified exposure throughout Taiwan and Southeast Asia. Its gaming business's first self-developed title became the world's most downloaded mobile game of 2020 and has enabled expansion into the previously unchartered and populous markets of Latin America and India. Elsewhere, the company's consumer awareness and ability to localise its offering has allowed it to establish its brand, Shopee, as an e-commerce leader across seven major markets. China Merchants Bank is one of the most consistently profitable banks in EM, with a digitally focused strategy largely based on attracting and engaging with mass affluent and high net worth customers making its retail banking business especially attractive and capital light.

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 Legg Mason Martin Currie Emerging Markets Fund received an overall rating of 5 stars out of 73 Equity Emerging Markets funds as of 30 April 2021.

Qualitative



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

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