

Martin Currie Emerging Markets Fund

SEP 2022 | Commentary

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)	-6.53	-5.13	-26.17	-1.47	2.16
Benchmark	-5.87	-5.42	-19.24	-0.49	2.18

Calendar year performance (%)

	2021	2020	2019	2018	2017
Fund (net)	1.79	14.94	28.22	-9.11	38.77
Benchmark	3.44	7.77	18.61	-5.10	27.09

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 5.87% in Australian dollar terms.

September proved to be a more challenging month. Part of the weakness was due to exchange rate losses as the US dollar strengthened. Additionally, having seen some easing around global fears of recession and increasing interest rates and inflation in July and August, these concerns were reamplified in September. India remained strong this month, with underlying macro trends continuing to be supportive of India's equity markets with data suggesting continued resilience in domestic consumption, government spending and sustained investment momentum. Mexico was also strong, with September seeing the third consecutive quarter of positive economic growth. Conversely Korea saw a more challenging month, particularly within the information technology space, which was the biggest detractor by subsector. The release of the US Chips Act (Creating Helpful Incentives to Produce Semiconductors Act) at the end of August, intended to boost US investment in the semiconductor industry and incentivise foreign companies investing in domestic US manufacturing, has ramifications for the entire semiconductor supply chain. Coupled with what has remained a difficult and uncertain environment, key players within the semis space sold off on the news.

What happened in the Fund?

The Fund was down 6.53% over the month of September.

At an index level, consumer staples were the strongest sector during the month, while Mexico was strongest from a country perspective.

For relative performance within the Fund, financials were the strongest contributor, while Mexico was additive at the country level.

At the stock level, WEG was one of the top contributors to performance in September. WEG saw positive earnings momentum following an announcement from management around its next three years capital investment plan that will see a significant expansion to its production capacity with a new project in electric mobility motors. Bank Rakyat Indonesia saw strength during September underpinned by positive domestic sentiment, where prudent central bank policy has also helped support performance. Finally, Titan was a top contributor during September, supported by positive macro data in India. Following the release of its second quarter results at the end of August, Titan continued to generate positive momentum as the delivery of higher-than-expected margins and upgraded guidance for continued strong growth was received well by the market.

On the other side, at an index level, information technology was the weakest performing sector, while Korea struggled.

In relative performance terms, information technology was the largest drag, while at a country level China was detractive.

At the stock level, GlobalWafers, TSMC and Samsung Electronics were the key detractors of performance. All three names are core players within the global semiconductor industry. This has been a more challenging area of the market for some time and saw further pressures in September following the release of the US CHIPS Act. At a stock specific level, speaking at an industry conference GlobalWafers indicated that although the longer-term outlook remained positive, a recovery was unlikely before 2023. This sentiment was echoed by industry peers.

There were no new purchases or outright sales within the Fund in September.

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, our global equity specialist manager, has had a presence in Australia since 1954. Today Martin Currie is a leading provider of active equity solutions in Australia, managing a growing suite of equity, multi-sector and tailored strategies across a common investment research platform.



Ratings

Quantitative



The Morningstar Analyst Rating™ for Martin Currie Emerging Market strategy is 'Bronze' as at June 2022.



The Martin Currie Emerging Markets Fund received an overall rating of 4 stars as at 30 September 2022.

Qualitative



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

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