

## FEB 2022 | Commentary

### 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)	-11.13	-12.30	-12.49	6.72	10.38
Benchmark	-5.81	-5.26	-4.71	5.34	8.24

#### Fund details

Inception date	September 2011
Benchmark	MSCI Emerging Markets Index (AUD)
ISIN	AU60ETL02010
APIR	ETL0201AU

#### 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

#### Monthly review

##### What happened in the market?

In February, the MSCI Emerging Market Index was down 5.81% in Australian dollar terms. The Fund was also down, falling 11.13% (net of fees) over the month.

Emerging markets experienced a very difficult February. The value rotation which began last year continued in its throes, impacting performance of growthier index constituents. Chinese technology stocks were impacted by news flow of Chinese regulatory pressure. We also saw some correction in higher valuation digital economy stocks globally. There was some positive relief in the materials sector performance as we saw a bounce back from better-than-expected Chinese stimulus/property data. The key driver of the market during the month however was in relation to the invasion of Ukraine by Russian forces and the consequent economic sanctions from the West. In relation to this, the potential commodity supply shocks across both metals and energy from Russia were also felt by market participants.

At an index level, materials was the strongest sector during the month, while smaller index countries such as Peru, UAE and Malaysia performed strongly. For relative performance within our portfolio, real estate (which is not held in the portfolio) was the least detracting and India was the best-contributing country.

##### What happened in the Fund?

During February, we bought the iShares MSCI Saudi Arabia ETF (KSA-USA) and sold Sunny Optical. We believe our active position in the ETF is an appropriate way to address our underweight in Saudi Arabia which has seen its index allocation grow in recent years. With regards to our sale of camera lens manufacturer Sunny Optical, our concern is around the lack of technical upgrades in smartphones, leading to a very competitive marketplace. We have seen similar issues at other peer companies and with smartphones expected to account for over 80% of Sunny Optical's FY21 revenues, the "despec" of the camera from leading smartphone manufacturers is expected to have material implications for its smartphone revenues.

At the stock level, Antofagasta was a notable contributor as Chile has seen some resumed interest after a year of political volatility in 2021. As Chile's largest copper miner, Antofagasta is also set to benefit rising copper prices; the stock's cash flow is one of the strongest in the space. Indian luxury jewellery and watch retailer Titan also performed well off the back of strong fourth quarter results. The company pointed to continued strength in sales momentum in January across studded and wedding jewellery. Meanwhile, Bank Rakyat Indonesia (BRI) was a notable contributor following strong fourth quarter/full year earnings released early in the month.

On the other side, at an index level, energy was the weakest performing sector, while Russia was the weakest country. In relative performance terms, financials were the largest drag, while at a country level China was notably detractive.

At the stock level, the key detractors were related to the escalating conflict in the Ukraine following Russia's invasion. Software services company EPAM's IT delivery professionals have a heavy concentration in the Russia/Ukraine/Belarus region. While revenues are heavily weighted toward UK and European markets and Fortune 200+ companies, the stock was impacted by the negative sentiment for the region. Although privately-owned Russian companies, both Lukoil and TCS Group were impacted by the broad-based de-risking in Russia. Neither company was part of official sanctions but the wider negative sentiment, high volatility and intermittent liquidity in Russian stocks (local, GDR and ADR) impacted the share prices negatively.

## 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 Martin Currie Emerging Markets Fund received an overall rating of 4 stars out of 80 Equity Emerging Markets funds as of 30 November 2021.

### Qualitative



**For enquiries, please contact Investor Services Team on 1800 673 776, email [auclientadmin@franklintempleton.com](mailto:auclientadmin@franklintempleton.com) or visit [franklintempleton.com.au](http://franklintempleton.com.au).**

**Past performance is not a reliable indicator of future performance.** This publication is issued for information purposes only and does not constitute investment or financial product advice. It expresses no views as to the suitability of the services or other matters described in this document as to the individual circumstances, objectives, financial situation, or needs of any recipient. You should assess whether the information is appropriate for you and consider obtaining independent taxation, legal, financial or other professional advice before making an investment decision. Please read the relevant Product Disclosure Statements (PDSs) and any associated reference documents before making an investment decision. In accordance with the Design and Distribution Obligations and Product Interventions Powers requirements, we maintain Target Market Determinations (TMD) for each of our Funds. All documents can be found via [www.franklintempleton.com.au](http://www.franklintempleton.com.au) or by calling 1800 673 776. Issued by Franklin Templeton Australia Limited (ABN 76 004 835 849, AFSL 240827). Franklin Templeton Australia Limited as Responsible Entity has appointed Martin Currie Investment Management Limited as the fund manager of the Martin Currie Emerging Markets Fund (ARSN 147 940 467). The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned Martin Currie Emerging Markets Fund (ETL0201AU) March 2021) referred to in this piece 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, including target markets of financial products, where applicable, 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 Fund Research Regulatory Guidelines. **The Lonsec Rating** (assigned as follows: Legg Mason Martin Currie Emerging Markets Fund - March 2021) presented in this document are published by Lonsec 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 Lonsec assumes no obligation to update the relevant documents following publication. Lonsec receives a fee from the Fund Manager for researching the products using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to the website at: <http://www.beyond.lonsec.com.au/intelligence/lonsec-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](http://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