

## MAR 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 (%)						Fund details	
	1 mth	3 mths	1 yr	3 yrs pa	5 yrs pa	Inception date	September 2011
Fund (net)	-5.16	-14.89	-15.94	4.33	8.27	Benchmark	MSCI Emerging Markets Index (AUD)
Benchmark	-5.55	-9.94	-10.10	3.01	6.31	ISIN	AU60ETL02010
Calendar year performance (%)						APIR	ETL0201AU
	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 March, the MSCI Emerging Market Index was down 5.55% in Australian dollar terms. The Fund was also down, falling 5.16% (net of fees) over the month.

Emerging markets continued to experience difficult conditions in March. New economy stocks led the downturn in Chinese equity markets as further regulatory reforms were announced, only slightly alleviated by the Chinese government's comments mid-month that it does not seek to negatively impact the economy or stock market and will act to stabilise the market. In addition, the US regulator stepped up its action to obtain access to US-listed Chinese companies, announcing the first five who will be required to de-list if they fail to provide the US Public Company Accounting Oversight Board with access to their audit reports/inspections. This compounded the negative sentiment and Chinese market downturn. Russian forces continued their assault on Ukraine, resulting in numerous sanctions being announced by nations globally. Russia has lost its emerging market status in several market indices, including the MSCI Emerging Markets Index. Concerns around supply chain disruption and volatility, particularly in commodity markets where Russia is a key global exporter, have also impacted global markets as a result of the conflict.

##### What happened in the Fund?

At an index level, financials were the weakest sector during the month, while Brazil performed strongly.

At the stock level, Brazilian stocks benefited from the supply chain concerns relating to the Russia-Ukraine conflict. As a commodity-rich country, Brazil enjoyed a rally in equity markets which was supportive of our holdings Cosan and WEG. Meanwhile, having initially been negatively impacted by the conflict due to its significant operations in Eastern Europe, EPAM enjoyed some relief during March as the share price stabilised. Furthermore, better on-the-ground colour showed that utilization has improved from last month, which was also supportive of the company's performance.

On the upside, at an index level, energy was the weakest performing sector, while China was the weakest among larger countries.

In relative performance terms, financials were the largest drag, while at a country level India was detractive.

At the stock level, the key detractors were all Chinese and impacted by the broader market uncertainty and sell-off in this market. Tencent and JD.com, both new economy stocks listed in the US, were impacted by the negative sentiment around domestic regulation and US-delisting fears. Meanwhile, auto manufacturer Minth suffered from conflict-related supply chain concerns, particularly with regards to aluminium which is a key raw material for the chassis and structural components of cars.

## 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



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