

Martin Currie Emerging Markets Fund

AUG 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)	1.78	-2.54	-23.55	1.77	3.97
Benchmark	2.21	-2.15	-16.64	2.14	3.57

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 August, the MSCI Emerging Market Index was up 2.21% in Australian dollar terms.

The modest gains during August were against a backdrop of global fears of recession and increasing interest rates and inflation. India was strong this month, with macro data suggesting strength in demand for goods and services, as well as a fiscal surplus and strong capex - these were all supportive of India's equity market more broadly. Conversely, China saw some further recovery from earlier lows due to supportive policy announcements but the upsurge in Covid-19 cases led to additional local lockdowns which proved overall unsupportive of equity markets. US fiscal tightening announcements were followed by the Bank of Korea Governor announced the country will likely continue its own tightening at least as long as the Fed. Key Korean heavyweights, particularly in the technology sector, sold off on the news.

What happened in the Fund?

The Fund was up 1.78% over the month of August.

At an index level, energy was the strongest sector during the month, while Brazil was strong among larger countries.

For relative performance within our Fund, consumer discretionary was the strongest contributor, while India was additive at the country level.

At the stock level, EPAM saw strength following a positive reception to its quarterly results (having previously withdrawn Q1 and FY22 guidance due to uncertainties relating to the events in Ukraine). Both ICICI Bank and Titan continued to be top contributors to performance during August, supported by the positive macro data in India. ICICI was further supported by continued positive sentiment following Q1 results posted the previous month, which demonstrate that it can deliver best-in-class profitability and growth metrics (which has not always been the case historically). Titan followed its strong July sales figures with its full quarterly results being posted in August. A combination of higher-than-expected margins and guidance for continued strong growth helped performance.

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

In relative performance terms, industrials were the largest drag, while at a country level our Korea was detractive.

At the stock level, Samsung Electronics fell on the news of continued fiscal tightening by the US and Korea, giving back some of its gains from July during August. Xinyi Solar underperformed the market despite announcing H1 results in line with expectations - the market reacted negatively to its relatively weak margins in the core solar glass business. Polysilicon (a key material in solar glass) prices remain high and are a bottleneck for solar and solar glass demand where the global outlook is strengthening. Meanwhile, CATL detracted from performance despite a headline beat on Q2 earnings which was driven by strong sales and a recovery in gross profit margin. Its underperformance on these results is likely because the margin improvement was driven by what has been considered a non-core part of its operations.

There were no new purchases or outright sales made within the Fund over the month of August.

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 out of 80 Equity Emerging Markets funds as of 31 May 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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