

# Emerging Markets Equity Fund

Fund Focus - December 2020



## Investment Strategy

This Fund is suitable for investors seeking long term capital growth from shares listed in global emerging markets.

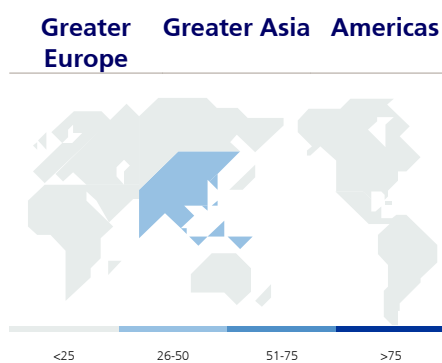
## Fund Facts

APIR Code	ZUR0614AU
Inception Date	23/06/2014
Total Est. Management Cost % <sup>^</sup>	1.58
Buy/Sell Spread%	0
Est. Transactional Op. Cost %	Nil
Distribution Frequency	Annually
Underlying Fund Manager	Wells Capital Management, Inc

## Portfolio Characteristics

Funds Under Management	\$0.86m
Number Of Holdings	121
Turnover Ratio%	116.68
Latest distribution date	30 Jun 2020
Latest distribution amount	0.0654
Benchmark	MSCI Emerging Markets Index in \$A (net dividends reinvested)

## Market Exposure

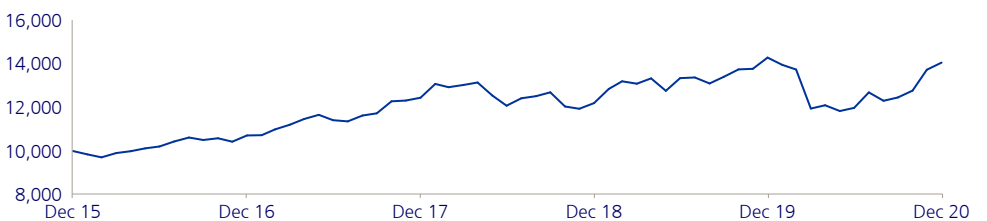


## Fund Performance After Fees\*

As at 31/12/2020	1 Month %	3 Months %	1 Year % p.a	3 Years % p.a	5 Years % p.a	Since Inception % p.a
Growth	2.38	12.85	-7.76	-2.36	1.14	2.18
Distribution	0.00	0.00	6.15	6.50	5.91	4.93
<b>Total</b>	<b>2.38</b>	<b>12.85</b>	<b>-1.61</b>	<b>4.14</b>	<b>7.05</b>	<b>7.11</b>
Benchmark	2.51	11.18	7.77	6.65	11.49	9.09

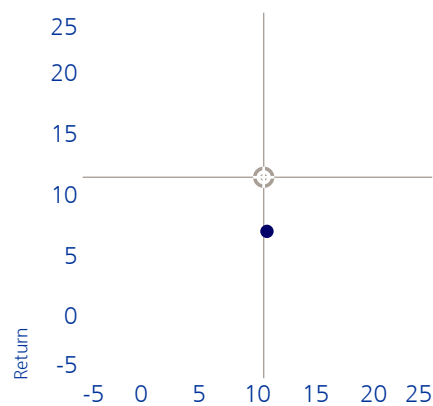
## Investment Growth

31/12/2015 to 31/12/2020

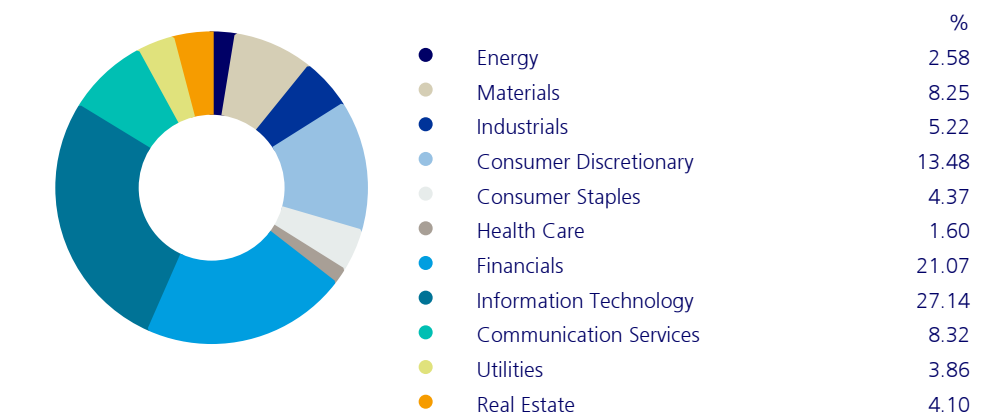


## Risk Reward

Time Period: 31/12/2015 to 31/12/2020



## Portfolio Equity Sectors



## Risk Statistics

Time Period: 31/12/2015 to 31/12/2020

Std Dev	10.81
Alpha	-3.40
Beta	0.93
Sharpe Ratio (arith)	0.55
Up Capture Ratio	80.19
Down Capture Ratio	100.76

## Top 10 Holdings

Portfolio Date: 31/12/2020	Portfolio Weighting%	Benchmark Weighting%
Taiwan Semiconductor Manufacturing Co Ltd	7.32	5.89
Samsung Electronics Co Ltd	5.58	4.52
Midea Group Co Ltd Class A	2.60	0.00
Ping An Insurance (Group) Co. of China Ltd Class H	2.47	0.93
Samsung Electronics Co Ltd Participating Preferred	2.11	0.71
China Construction Bank Corp Class H	1.81	0.93
POSCO	1.67	0.24
Infosys Ltd ADR	1.42	0.00
SK Hynix Inc	1.40	0.76
Vale SA	1.28	0.79

## Market

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Emerging markets advanced in the December quarter, delivering the highest quarterly return in USD terms since the third quarter of 2009. Ten out of eleven sectors advanced in December including IT, materials, and healthcare, whereas real estate stocks declined. At the country level, 24 out of 27 countries generated positive returns including Colombia, Turkey, and Korea, while Egypt and Saudi Arabia experienced declines.

## Performance

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The Fund produced an impressive return of 12.85% in the December quarter, outperforming the index by 1.67%.

The Asian region underperformed the broader index in December. South Korea led the region and reported the strongest year-over-year increase in exports since October 2018, driven by a significant increase in semiconductor shipments. Taiwan also reported strong export numbers due to increases in traditional manufacturing goods such as plastic and rubber items as well as continued strength in electronics. India outperformed as the government relaxed curbs put in place on spending for more than 80 government departments and ministries. The finance minister also noted a need to spend more money in spite of a rising fiscal deficit. China/Hong Kong underperformed the region primarily as a result of underperformance from the consumer discretionary sector and Alibaba in particular as China's State Administration for Market Regulation began an investigation into the company given its growing influence on a large swath of the Chinese population and perceived threat to political and financial stability. The market was also negatively impacted by a combination of events related to the executive order issued by President Trump in mid-November prohibiting US citizens from investing in Chinese companies with ties to the Chinese military.

Latin America was the best performing region in the index in December. Brazil reported a decline in unemployment after 9 consecutive months of increases as the economy slowly recovers from lockdowns earlier in the year. The Brazilian Supreme Court also decided that all citizens will be required to be vaccinated against COVID-19, similar to requirements for children to be vaccinated against diseases including measles and meningitis. In Chile, the unemployment rate fell for a fourth consecutive month as rising copper prices and early pension withdrawals boosted the economy. Consumer prices in Mexico rose more than expected in the first half of December, giving credence to the central bank's decision to keep its policy rate steady as it waited to confirm whether inflation was slowing. Colombia, Argentina, and Peru also experienced gains during the month.

The Emerging Europe, Middle East and Africa (EMEA) region underperformed in December. Turkey led the region and the lira appreciated versus the dollar as the central bank raised its policy rate and pledged to maintain a tight stance until it sees a 'permanent fall in inflation.' Russia kept its policy rate at a record low given growing concerns of higher inflation partially resulting from currency depreciation in 2020. The Russian government plans to maintain accommodative monetary policy in 2021. South Africa reported a strong increase in gross domestic product, however, the economy still contracted year-over-year. It is not expected to return to pre-pandemic economic levels until 2025. The South African government also declared the start of a second wave of COVID-19 in December and enacted new restrictions on alcohol sales, beach closures, and an extension of the nationwide curfew.

## Outlook

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Emerging market equities had a strong finish to 2020. For the year, emerging market equity performance matched the S&P 500, and vastly outperformed the MSCI EAFE Index. Encouraging progress on vaccine development and optimism over US election results more than offset COVID-19 resurgence concerns.

North Asia is expected to continue to demonstrate the best containment of the coronavirus and near normalisation of activity supporting economic growth, though equity market leadership will broaden out. Going forward, China will focus on domestic self-sufficiency, technological innovation, and environmental protection under the "dual circulation" framework and 14th Five Year Plan. The country will strive to achieve moderately developed status by 2035 and carbon neutrality by 2060. Neighbouring Taiwan and Korea are similarly expected to focus on advanced technology and high quality "digital and green" development. Southeast Asia will expand manufacturing as factory to the Asia Pacific region under RCEP (Regional Comprehensive Economic Partnership) and to the world. South Asia and India, in particular, are expected to attract foreign direct investment.

Mexico theoretically stands to replace Asia in key supply chain roles. Domestic and foreign investment confidence may turn around on improved trade relations and diplomacy plus US stimulus under Biden. However, Brazil remains the preferred Latin American market with the best medium-term reform story, plus it has the fiscal discipline to stay under the spending cap.

Smaller Andean countries should benefit from recovery in select commodity prices, while oil prices will likely be capped by sluggish demand and OPEC+ being unable to agree on change in output.

Some economies in EMEA may be challenged by weak oil exports or fiscal strains, nevertheless, there is potential upside to their currencies on US dollar weakness. There is also room for equity markets to further perform on vaccine availability.

Overall, the investment team believes that the rotation to value/deep cyclicals from growth/momentum can endure. Opportunities are being presented in the reflation trade and sustainable dividend yield may return to favor amid consolidation in near term equity gains and with the worst of the dividend cuts believed to be behind us.

\* Performance returns quoted are compound rates of return calculated on exit prices and assume reinvestment of distributions. Returns are calculated net of all ongoing fees and any taxes payable by the fund. Total return includes both growth and distribution returns. Growth return is the change in exit price over the relevant period. The benchmark return shown is a gross return. Please note that figures shown are rounded to one decimal place, therefore some rounding errors may occur.

^ The Estimated Total Management Cost of 1.58% includes a Management Fee of 1.4%, an Estimated Performance Fee of 0% and Estimated Indirect Costs of 0.18%

**Past performance is not a reliable indicator of future performance.**

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