

# Emerging Markets Equity Fund

Fund Focus - April 2021



## Investment Strategy

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

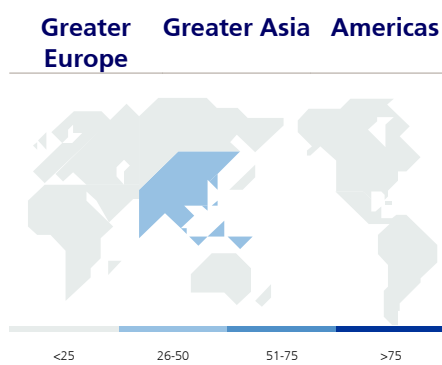
## Fund Facts

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	\$0.65m
Number Of Holdings	120
Turnover Ratio%	116.58
Latest distribution date	30 Jun 2020
Latest distribution amount	0.0654
Benchmark	MSCI Emerging Markets Index in \$A (net dividends reinvested)

## Market Exposure

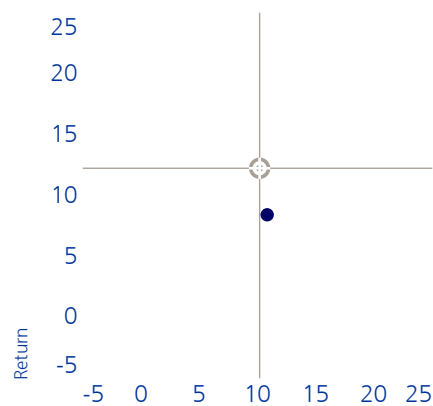


## Fund Performance After Fees\*

As at 30/04/2021	1 Month %	3 Months %	1 Year % p.a	3 Years % p.a	5 Years % p.a	Since Inception % p.a
Growth	-0.75	2.93	15.88	-2.12	2.41	3.00
Distribution	0.00	0.00	7.72	6.52	6.00	4.73
<b>Total</b>	<b>-0.75</b>	<b>2.93</b>	<b>23.60</b>	<b>4.40</b>	<b>8.41</b>	<b>7.73</b>
Benchmark	1.06	1.03	26.04	6.69	12.23	9.37

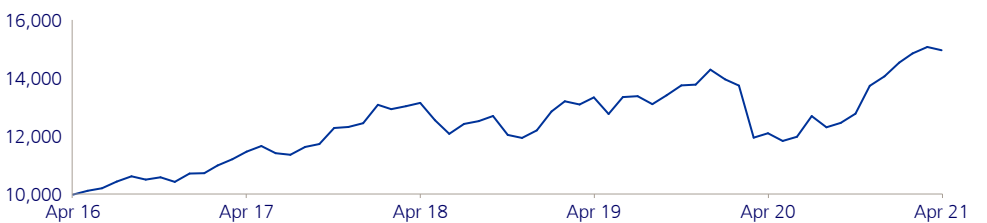
## Risk Reward

Time Period: 30/04/2016 to 30/04/2021

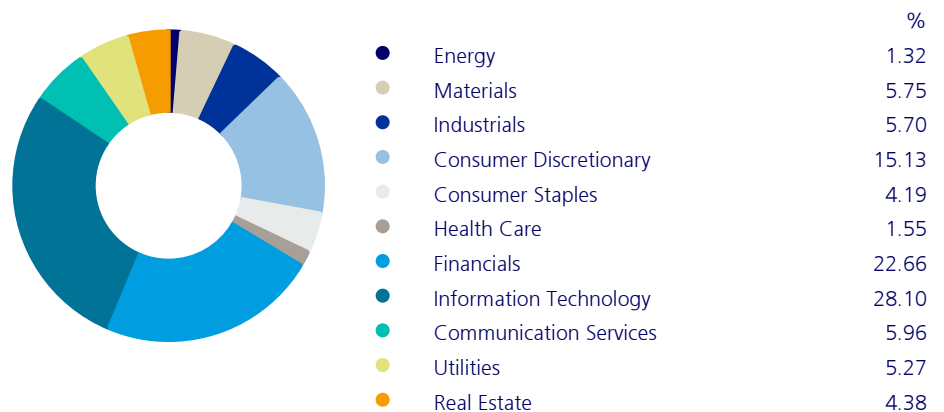


## Investment Growth

30/04/2016 to 30/04/2021



## Portfolio Equity Sectors



## Risk Statistics

Time Period: 30/04/2016 to 30/04/2021

Std Dev	10.83
Alpha	-3.09
Beta	0.97
Sharpe Ratio (arith)	0.68
Up Capture Ratio	82.70
Down Capture Ratio	100.42

## Top 10 Holdings

Portfolio Date: 30/04/2021	Portfolio Weighting%	Benchmark Weighting%
Taiwan Semiconductor Manufacturing Co Ltd	6.66	6.42
Samsung Electronics Co Ltd	4.98	4.24
Ping An Insurance (Group) Co. of China Ltd Class H	2.00	0.79
China Construction Bank Corp Class H	1.97	0.92
Samsung Electronics Co Ltd Participating Preferred	1.87	0.66
Midea Group Co Ltd Class A	1.80	0.00
Infosys Ltd ADR	1.62	0.00
LIC Housing Finance Ltd	1.43	0.00
Baidu Inc ADR	1.40	0.69
Gree Electric Appliances Inc of Zhuhai	1.40	0.00

## Market

Emerging markets rose over the March quarter. Seven out of eleven sectors advanced in March, including materials, utilities and financials, whereas communication services, consumer discretionary and IT declined.

At the country level, 15 out of 27 countries generated positive returns, including Saudi Arabia, Mexico, Chile, South Africa, Kuwait and Russia. Turkey, Peru, Egypt, Indonesia and China/Hong Kong experienced declines.

## Performance

The Fund produced an impressive return of 7.19% for the quarter which was comfortably ahead of the index return.

The Asian region underperformed the broader index in March. Korea reported a strong year-over-year increase in exports in March, the highest since October 2018, fuelled by chips and automobiles as the global economic recovery continues to take hold with an increase in vaccinations. Thailand, India and Pakistan also posted gains. China/Hong Kong set a modest 6% or greater growth target for 2021 at the National People's Congress with an expectation for the budget deficit to fall to 3.2% of GDP. Europe, the UK, the US and Canada imposed largely symbolic sanctions against 4 Chinese nationals and 1 entity over alleged abuses of human rights on the Uyghurs in Xinjiang. China responded by sanctioning 10 individuals and 4 entities on the European Union side.

Latin America outperformed the index in March. Inflation in Mexico surged in early March, surpassing the upper band of 4.0%, due primarily to a large increase in petrol prices. The central bank subsequently decided to maintain its policy rate at 4.0%. Brazil hiked its policy rate by 75 basis points (bps) to 2.75% with the central bank noting another 75-bp hike in May unless there is a significant change in inflation projections or in the balance of risks.

The Emerging Europe, Middle East and Africa (EMEA) region also outperformed in March. Saudi Arabia was the best-performing market in the region despite Iran-backed Houthi rebel missile and drone attacks on oil infrastructure, which pushed Brent briefly above US\$70 a barrel. In Russia, the central bank hiked interest rates by 25 bps to 4.5% to tame inflation, which accelerated to 5.7% due to an increase in food prices. Turkey was the worst-performing country in the index in March. The central bank increased its policy rate by 200 bps to 19% as inflation accelerated to 15.6% year over year in February, the highest rate since July 2019. However, later in the month, President Erdogan replaced the country's central bank chief in favour of Sahap Kavcioglu, a columnist and university professor who criticised recent interest rate hikes, reversing gains in the lira and resulting in a large depreciation versus the US dollar in March.

## Outlook

Interest rates continue to inch up on rising inflation and Biden stimulus even as the US Federal Reserve reiterates a dovish stance. The People's Bank of China is equally committed to gradual withdrawal of liquidity. However, emerging market investors are turning cautious. Oil, metal and other commodities retreated, as did emerging market currencies. Risk aversion is anticipated to rise on COVID-19 resurgence despite vaccine rollout and increased market volatility exacerbated by Archegos' margin call.

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 is striving to achieve moderately developed status by 2035 and carbon neutrality by 2060. Neighbouring Taiwan and Korea are 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 should attract further foreign direct investment and India's new growth-oriented policies bode well for equity outlook.

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. The investment team are increasingly cautious on Brazil as Bolsonaro resorts to policies to protect his popularity, which will interrupt reform in the near term. The list of concerns continues to grow beyond poor pandemic management to include potential return of Lula, high turnover at the minister level and an above-expectation rate hike.

Smaller Andean countries should benefit from recovery in select commodity prices. The EMEA region is expected to benefit as well from rebounding oil prices, though prices could retreat if OPEC+ starts to relax production cuts and US production growth resumes on low inventory. The value proposition still looks attractive in Russia and South Africa. The collapse of the Turkish lira following dismissal of the central bank governor serves as a reminder of political risks and currency volatility in the region.

\* 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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