

# Emerging Markets Equity Fund

Fund Focus - June 2021



## Investment Strategy

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

## Fund Facts

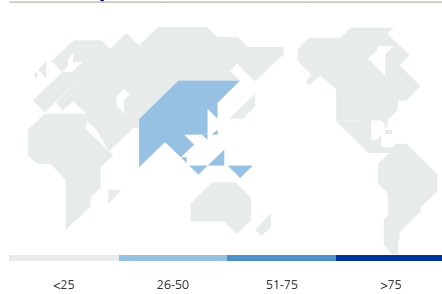
APIR Code	ZUR0614AU
Inception Date	23/06/2014
Total Est. Management Cost % <sup>^</sup>	1.58
Buy/Sell Spread%	0
Est. Transactional Op. Cost %	Nil
Distribution Frequency	Annually
Underlying Fund Manager	Wells Capital Management, Inc

## Portfolio Characteristics

Funds Under Management	\$0.63m
Number Of Holdings	118
Turnover Ratio%	109.70
Latest distribution date	30 Jun 2021
Latest distribution amount	0.0497
Benchmark	MSCI Emerging Markets Index in \$A (net dividends reinvested)

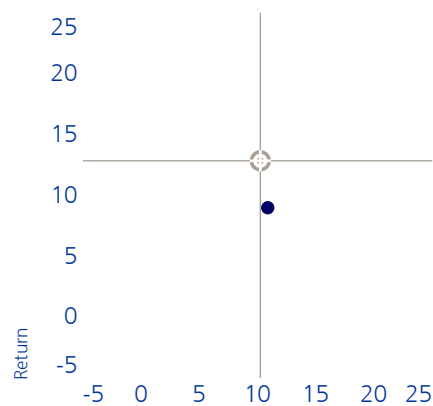
## Market Exposure

Greater Europe    Greater Asia    Americas



## Risk Reward

Time Period: 30/06/2016 to 30/06/2021

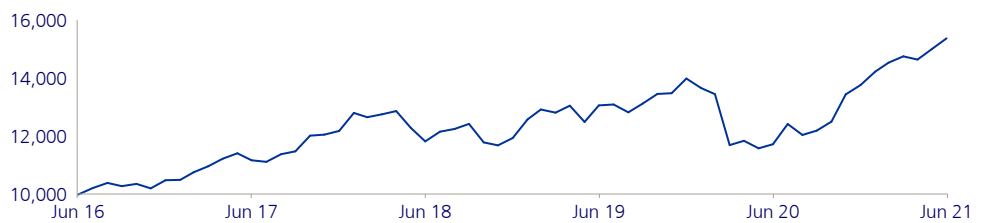


## Fund Performance After Fees\*

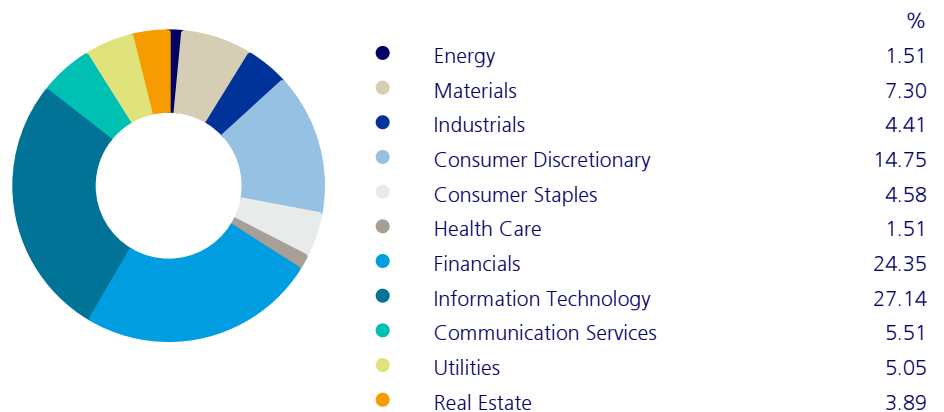
As at 30/06/2021	1 Month %	3 Months %	1 Year % p.a	3 Years % p.a	5 Years % p.a	Since Inception % p.a
Growth	-1.57	0.18	26.01	2.72	2.87	3.06
Distribution	3.96	4.02	5.06	6.41	6.12	5.22
<b>Total</b>	<b>2.39</b>	<b>4.20</b>	<b>31.07</b>	<b>9.13</b>	<b>8.99</b>	<b>8.28</b>
Benchmark	3.28	6.57	29.22	10.68	12.84	9.97

## Investment Growth

30/06/2016 to 30/06/2021



## Portfolio Equity Sectors



## Risk Statistics

Time Period: 30/06/2016 to 30/06/2021

Std Dev	10.88
Alpha	-3.07
Beta	0.97
Sharpe Ratio (arith)	0.74
Up Capture Ratio	83.12
Down Capture Ratio	100.42

## Top 10 Holdings

Portfolio Date: 30/06/2021	Portfolio Weighting%	Benchmark Weighting%
Taiwan Semiconductor Manufacturing Co Ltd	6.84	6.12
Samsung Electronics Co Ltd	4.86	3.98
China Construction Bank Corp Class H	1.96	0.88
Infosys Ltd ADR	1.90	0.00
Samsung Electronics Co Ltd Participating Preferred	1.85	0.63
Baidu Inc ADR	1.81	0.64
Ping An Insurance (Group) Co. of China Ltd Class H	1.79	0.72
Midea Group Co Ltd Class A	1.60	0.00
Chow Tai Fook Jewellery Group Ltd	1.34	0.00
KB Financial Group Inc	1.33	0.23

## Market

Emerging markets advanced in June with five out of eleven sectors experiencing gains, including industrials, consumer discretionary, and energy whereas real estate, materials, and financials declined. At the country level, 11 out of 27 countries generated positive returns including Colombia, Brazil, and Russia while Peru, Pakistan, and South Africa.

## Performance

The Fund produced a solid return in June but was unable to keep pace with the strong index return. For the 12 months to 30 June 2021, the Fund is ahead of the impressive index return.

The Asian region underperformed the broader index in June. South Korea reported another strong month of export growth in June and reiterated that the current policy rate was significantly accommodative, and that normalisation would start at an appropriate time this year, marking the clearest signal of future rate increases in Asia. China/Hong Kong also reported strong export growth providing another sign of the strengthening of the global economy. China's producer price index rose in May due to increases in the price of oil, metals, and chemicals. The increase was the highest reading since 2008 and has the potential to add to global inflationary pressures despite intense competition among exporters, which may finally seek to pass on higher prices as opposed to accepting lower margins.

Latin America was the best performing region in June. Brazil raised its 2021 gross domestic product (GDP) forecast, driven by an increase in demand for commodities and government spending. The central bank took up its policy rate by another 75 bps to 4.25% as consumer prices rose in May well above the target for 2021, primarily due to electricity prices. Mexico reported a slowing of inflation in May although inflation was still almost double the 3% target due to large increases in food and services. Peru was the worst performing country in the region and the broader index as Pedro Castillo appeared to have won the presidential election in Peru over Keiko Fujimori, who is challenging the results for alleged irregularities. The market underperformed given fears that Castillo, a former schoolteacher, and union organiser, would upend Peru's economic model.

The Emerging Europe, Middle East and Africa (EMEA) region outperformed in June. Russia's central bank increased its policy rate by 50 bps to 5.5% in an effort to control inflation, which rose above 6% for the first time in over four years. The recent hike marks the third rate increase this year and the central bank said another hike in July is very likely. The country also said it would shift its holdings in US dollars, to euros, yuan, and gold to limit the impact of Western sanctions. In South Africa, a third wave of COVID-19 infections resulted in a return to alert level 3 (of 5) and a re-tightening of movement restrictions. The US and Turkey were unable to come to a resolution over Turkey's purchase of a Russian missile defense system and President Erdogan called for the central bank to lower rates sending the currency to new lows versus the US dollar.

## Outlook

Emerging markets continue to lag developed markets due to COVID-19 resurgence risks while developed market economies stage a stronger recovery with vaccine rollout. Even North Asia, which had demonstrated the best pandemic management since outbreak in 2020, is seeing cases rise with low vaccination rates.

China remains an attractive long-term story on high quality growth and economic upgrade. However, market performance is expected to consolidate in the near term on tighter liquidity and softer macroeconomic figures. Neighboring Taiwan and Korea should lead in advanced technology and "digital and green" development, but the technology heavy equity markets are similarly taking a breather as IT demand peaks. Aggressive capex plans in the current cycle should enhance market volatility. South and Southeast Asia's growing role as factory to the world is anticipated to be further delayed by second and third COVID-19 waves. India is expected to continue to attract foreign direct investment on growth-oriented policies and a large domestic market. Emerging market Asia earnings may start to see pressure from rising input costs, reversing the forecast upgrade trend.

While commodity exporters in Latin America and Europe, the Middle East and Africa (EMEA) are enjoying higher prices, manufacturers and consumer will feel the squeeze as emerging market core inflation (ex-China/Turkey) is forecast to remain elevated. Interest rates are expected to continue to rise, led by major markets such as Brazil and Russia, as well as Turkey. Mexico's central bank may turn increasingly hawkish on inflation concerns but the economy should hold up lifted by a strong US recovery. Brazil's GDP growth and market performance may face challenges from drought and tax reform. The EMEA region benefits from higher oil prices, though prices could retreat as OPEC+ and Iran resume production. The value proposition still looks attractive in Russia and South Africa. Russian equities provide some of the highest dividend yields and South Africa's domestic story should improve as President Ramaphosa accelerates structural and fiscal reform.

\* 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.

This report is issued by Zurich Investment Management Limited ABN: 56 063 278 400, AFSL: 232511, GIIN: FVHHKJ.00012.ME.036. The information in the report has been derived from sources reasonably believed to be reliable and accurate and is to be used for research purposes only. Subject to law, none of the companies of the Zurich Financial Services Australia Limited Group, nor their directors or employees, gives any representation or warranty as to the reliability, accuracy or completeness of the information, nor accepts any responsibility arising in any way (including by reason of negligence) from errors in or omissions from, the information provided. A Product Disclosure Statement (PDS) for the Fund is available and can be obtained by calling Zurich Investments on 131 551. The PDS should be considered in deciding whether to acquire, or to continue to hold, an investment in the fund. This information is of a general nature only and does not take into account the investment objectives, financial situation or particular needs of any investor and should not be taken as a securities or stock recommendation. These factors should be considered before any investment decision is made in relation to the fund.