

MAY 2021 | Commentary

LEGG MASON QS INVESTORS GLOBAL EQUITY FUND

Investment objective

The Fund aims to earn an after-fee return in excess of the Benchmark over rolling three-year periods.

Performance (%)						Fund details	
	1 mth	3 mths	1 yr	3 yrs pa	5 yrs pa	Inception date	September 1998
Fund (net)	2.21	12.87	22.91	12.51	12.77	Benchmark	MSCI World Index (ex Australia) in AUD
Benchmark	1.19	9.73	20.41	13.63	12.79	ISIN	AU60SSB01262
Calendar year performance (%)						APIR	SSB0126AU
	2020	2019	2018	2017	2016		
Fund (net)	3.92	22.53	0.05	15.62	7.02		
Benchmark	5.73	27.97	1.52	13.33	7.92		

Monthly review

What happened in the market?

The MSCI World ex-Australia Index returned 1.2% in May in Australian dollar terms. Markets generally rose on signs of continued economic recovery in the U.S., China and elsewhere. However, paired with this economic growth were concerns over inflation, which sparked volatility throughout the month. Whether recent inflation would be persistent or transitory was top of mind for investors as they attempted to gauge fiscal and monetary policy responses. U.S. Treasury yields decreased, but these moves were small relative to the volatility observed year-to-date; the 10-Year Treasury yield fell from 1.63 to 1.60 over the course of the month. The U.S. dollar depreciated against most major currencies, decreasing 1.6% (Dollar Index Spot). Gold rose 7.6% (AUD). The price of Crude oil (WTI) increased 4.3% (AUD), exceeding recent March highs, helped by a weaker dollar and strong demand.

The top performing sectors were Banks, Energy and Materials, with returns of 5.8%, 5.1% and 4.3%, respectively. The worst performers were Consumer Discretionary, Information Technology and Utilities, returning -1.4%, -1.2% and -0.9%, respectively.

What happened in the Fund?

The Fund outperformed the benchmark in May, returning 2.21% net of fees. Stock selection added value for the month; the selection effects in the U.S. and Continental Europe led the way. Selection within the U.S. region was the main reason for outperformance, particularly in the Consumer Discretionary and Information Technology sectors. Selection was also positive in developed Asia ex Japan, but detracted modestly in Japan and had minimal impact in the U.K. Across sectors, selection was strong in Information Technology, Consumer Discretionary and Industrials. The impact of region/sector allocations was effectively neutral.

At month end, the Fund was attractively valued with a lower 12-month forward PE than the benchmark. The Fund was well diversified across regions and sectors. The largest region overweight was to the U.S., and the largest underweight was in the U.K. region. The Fund was most overweight in Information Technology and most underweight in Utilities.

What is the outlook?

Similar to our view last month, growth expectations have been on an upward trend as vaccine roll outs have continued, though there are still near-term risks from Covid-19 continued spread and worrisome variants. With that said, investor optimism may outweigh these residual concerns. Central banks have remained accommodative, and we expect a transition from crisis measures to support of the recovery to take place over the near term. Cyclical value stocks, those most beaten down in the COVID crisis, have started to make gains and remain well positioned for continued strength. Investors continue to rotate out of pandemic lockdown winners into more value-oriented names; these stocks appear likely to benefit as consumer and corporate spending patterns begin to normalize.

We are confident that investors will continue to reward stocks that are attractively valued and invest in companies that have solid growth prospects and the ability to generate cash for their shareholders. We believe that our well-diversified, disciplined strategy will serve investors well in this environment.

Highlights

- Provides core, active global equity exposure with a long track record of alpha generation
- Competitive pricing structure
- An attractive alternative to passive investment that blends well with more concentrated, factor biased investment strategies

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.

QS Investors

QS Investors is a quantitative asset manager that provides multi-asset class and global equity solutions. Their approach unites intellectual and academic precision with the power of data and technology in their quest to elevate the certainty of outcomes they deliver. Effective October 1, 2020, QS Investors and Franklin Templeton Multi-Asset Solutions combined capabilities to form Franklin Templeton Investment Solutions with the primary goal of offering best-in-class investment solutions to clients.

Meet the Portfolio managers

Joseph S. Giroux (industry since 1993), leads the team that manages your Fund. They believe quantitative investing provides a better framework to be more creative when solving for client challenges. By taking a systematic approach, they can better test their insights, manage risk and target the investment outcomes a client wants through a deeper understanding of investment and human dynamics.

Ratings

Quantitative



The Legg Mason QS Investors Global Equity Fund received an overall rating of 4 stars out of 253 Equity World Large Blend funds as of 31 May 2021.

Qualitative



For enquiries, please contact Client Services team on 1800 679 541, email auclientadmin@franklintempleton.com or visit leggmason.com.au.

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