

DEC 2020 | 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 (%)

	1 mth	3 mths	1 yr	3 yrs pa	5 yrs pa
Fund (net)	-0.64	4.86	3.92	8.41	9.53
Benchmark	-0.50	5.68	5.73	11.16	10.94

Calendar year performance (%)

	2019	2018	2017	2016	2015
Fund (net)	22.53	0.05	15.62	7.02	18.56
Benchmark	27.97	1.52	13.38	7.92	11.80

Fund details

Inception date	September 1998
Benchmark	MSCI World Index (ex Australia) in AUD
ISIN	AU60SSB01262
APIR	SSB0126AU

Monthly review

What happened in the market?

The MSCI World ex-Australia Index returned -0.5% in December and returned 5.7% in December quarter. Markets advanced despite the discovery of a new, more contagious coronavirus strain and new lockdowns. Equities were supported by new stimulus packages in the U.S. and other economies, as well as vaccination rollouts across the world and Brexit developments (a deal was signed on Christmas Eve). However, strengthening of the Australian dollar against many major currencies decreased equity returns in that currency. Crude oil (WTI) increased 7.0% (U.S. dollars) during the month on hopes that the stimulus packages and vaccines will boost demand. The U.S. dollar depreciated against most major currencies, dropping -2.1% (Dollar Index Spot). This supported equities, as well as gold, which increased 6.7% (U.S. dollars). Precious metals received a boost with interest rates remaining low into the foreseeable future. Concerns of possible inflation and the sustainability of debt ratios mounting across the world further support precious metal prices.

Generally, cyclical sectors continued their strong performance from the previous month. The top performing sectors were Information Technology, Consumer Discretionary and Banks. The worst performers were Utilities, Real Estate and Industrials.

What happened in the Fund?

The Fund was down -0.6% for the month and rose 4.9% for the quarter. Stock selection detracted moderate value for the month leading to the underperformance, the selection effects were mixed across regions. Selection within the U.S. region was the main reason for underperformance, particularly in the Consumer Discretionary and Health Care sectors which detracted notably. Selection was also negative in Japan, but positive across Continental Europe, the U.K., New Zealand & Canada, and Asia Developed ex Japan regions. Across sectors, selection was negative in Consumer Discretionary and Health Care, selection in Information Technology, Banks, and Energy was strong. The impact of region/sector allocations was muted.

Stock selection was the leading detractor for the quarter, it was especially poor in Japan and the U.S. In Japan selection was particularly weak in Industrials, Materials, and Utilities. In the U.S. poor selection effects were driven by the Consumer Discretionary sector. Selection was positive in the U.K., Continental Europe, and New Zealand & Canada regions. Allocation effects across regions were negative. Within sectors, selection in Consumer Discretionary and Industrials detracted value.

At month end and quarter 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.K., and the largest underweight was in the Continental Europe region. The Fund was most overweight in Banks and most underweight in Real Estate.

What is the outlook?

Macro factors related to the global pandemic, including rising COVID 19 numbers and new strains on the one hand and progress on the development (and administration) of vaccines and therapeutics on the other, are likely to be key drivers of markets for the near future. As we enter 2021, the prospect of an end to the global pandemic and its economic impact, as well as a market friendly election outcome, may have investors redeploying cash that they have kept on the sidelines. Cyclical value stocks, those most beaten down in the COVID crisis, are positioned for continued gains. That said, risks to the economy remain elevated as another wave of confirmed COVID-19 cases is prompting state and local governments to tighten restrictions in an effort to contain it.

While we cannot forecast how long it will take for these risks to subside, we are confident that investors will again 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.

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 December 2020.

Qualitative



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

Past performance is not a reliable indicator of future performance. Legg Mason Asset Management Australia Limited (ABN 76 004 835 849 AFSL 240827) is part of Franklin Resources, Inc. Any reference to 'Legg Mason Australia' is a reference to Legg Mason Asset Management Australia Limited. Legg Mason Australia is the responsible entity of the Legg Mason QS Investors Global Equity Fund (ARSN 122 100 207) (Fund). QS Investors, LLC. (QS Investors) is the fund manager of the Fund. Before making an investment decision you should read the Product Disclosure Statement (PDS) for the Fund carefully and you need to consider, with or without the assistance of a financial advisor, whether such an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. The PDS is available and can be obtained by contacting Legg Mason Australia on 1800 679 541 or at www.leggmason.com.au. This product has not been prepared to take into account the investment objectives, financial objectives or particular needs of any particular person. Neither Legg Mason Australia, nor any of its related parties, guarantees the performance or the return of capital invested. Past performance is not indicative of future performance. Investments are subject to risks, including, but not limited to, possible delays in payments and loss of income or capital invested. These opinions are subject to change without notice and do not constitute investment advice or recommendation. **The Lonsec Rating** (assigned as follows: Legg Mason QS Investors Global Equity Fund - February 2019) presented in this document are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421445. The Ratings are limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial products. Past performance information is for illustrative purposes only and is not indicative of future performance. They are not a recommendation to purchase, sell or hold Legg Mason Asset Management Australia Limited products, and you should seek independent financial advice before investing in these products. The Ratings are subject to change without notice and Lonsec assumes no obligation to update the relevant documents following publication. Lonsec receives a fee from the Fund Manager for researching the products using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to the website at: <http://www.beyond.lonsec.com.au/intelligence/lonsec-ratings>. **The Zenith Investment Partners** ("Zenith") Australian Financial Services License No. 226872 rating (Legg Mason QS Investors Global Equity Fund assigned November 2018) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>. © 2020 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2020 FE Money Management. All rights reserved. The information, data, analyses, and opinions contained herein (1) include the proprietary information of FE Money Management and Lonsec (2) may not be copied or redistributed (3) do not constitute investment advice offered by FE Money Management or Lonsec (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security (5) are not warranted to be correct, complete, or accurate. FE Money Management and Lonsec shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses, or opinions or their use. FE Money Management and Lonsec does not guarantee that a fund will perform in line with its Fund Manager of the Year award as it reflects past performance only. Likewise, the Fund Manager of the Year award should not be any sort of guarantee or assessment of the creditworthiness of a fund or of its underlying securities and should not be used as the sole basis for making any investment decision.