

Martin Currie Global Long-Term Unconstrained Fund

JUN 2022 | Commentary

Investment objective

The Fund objective is to provide capital appreciation through investment in global equities (ex Australia). The Fund is expected to generate returns in excess of the benchmark over rolling five-year periods. The Fund is unhedged and performance is measured in Australian dollars before fees and taxes.

Performance (%)

	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.
Fund (net)	-5.44	-14.35	-28.57	0.21	7.25
Benchmark	-4.40	-7.84	-8.08	7.00	9.42

Calendar year performance (%)

	2021	2020	2019	2018	2017
Fund (net)	19.54	15.09	32.16	6.13	20.82
Benchmark	25.99	6.04	26.86	0.71	14.86

Fund details

Inception date	December 2015
Benchmark	MSCI All Country World Index (ex Australia) in AUD
ISIN	AU60SSB00660
APIR	SSB0066AU

Monthly review

What happened in the Fund?

Global equities (as represented by the MSCI ACWI ex Australia index) fell 4.40% in June. While the Fund in comparison was down 5.44% (net of fees) over the month. Markets correcting sharply in June following worse than expected inflationary data from the US. This saw the US Federal Reserve raise interest rates by 0.75% (the largest hike since 1994) and the Bank of England followed in turn with a 0.25% rise. The European Central Bank also announced its intention to raise rates in July.

The tragic conflict in the Ukraine continued to exacerbate inflation through rising energy and commodity prices (notably food), resulting in a negative impact on both business and consumer confidence. Additionally, China's zero tolerance policy on Covid brought fears of a renewed supply shock globally across many parts of the supply chain, while also leading to a slowdown in economic activity in the world's second-largest economy. However, this could improve rapidly as China eases restrictions in the months to come. Market leadership favouring value stocks over quality and growth has been a notable headwind for the portfolio year to date. We believe that quality and growth companies are likely to come back into focus for investors. With the deteriorating macro-economic outlook, a view reinforced by weaker global Purchasing Managers Index (PMI) data, we believe we are entering a period of earnings downgrades over the next few quarters. In such an environment of higher inflation, lower economic growth and lower earnings growth, there will be an even greater emphasis in the market on companies with consistent growth, higher structural growth profiles, and with enough pricing power to protect their margins from higher inflationary pressures.

Chinese biologics firm Wuxi's shares recovered in June following its investor day. Management reiterated positive guidance to 2025 and advised the market on high levels of new projects and provided technology sessions on new drug modalities. These modalities expand the addressable product offering and typically have higher pricing. Veeva, the US life sciences cloud computing firm benefited from positive broker sentiment on its defensive growth characteristics. AIA the Hong Kong listed Pan Asian insurer continued to perform in June, it is a beneficiary of rising US bond yields and yields globally. The company has been showing resilient new business growth in most of its geographies and is embarking on a significant capital return plan.

On the other side, continued concerns around the macroeconomic backdrop impacted the Irish building materials firm Kingspan over the quarter. In June, Kingspan announced a significant decline in orders year on year as end markets deteriorated. Management reiterated its positive medium-term outlook but acknowledged the current challenging environment was being reflected in share price performance. Nvidia the US graphics and software firm was weak in June (and over the quarter). There have been heightened cyclical worries around both the firm's gaming and datacentre business. Despite this we see two mitigating factors. First, gaming, as a cheap form of entertainment could prove to be counter-cyclical and hold up well in a weak macroeconomic environment. Second, while we might see some slowing of datacentre investment in a downturn, Nvidia has high exposure to hyperscalers (large technology firms such as Google) that treat datacentres as a strategic investment. ASML the Dutch semiconductor equipment manufacturer suffered from cyclical concerns within the semiconductor market.

There were no new buys or outright sales in the month of June.

Highlights

- Invests in a concentrated global portfolio (ex Australia) of stocks across developed and emerging markets
- Focuses on companies' cash flow and assets, which the Martin Currie believes are better long-term indicators of corporate sustainability
- A low turn-over, unconstrained global equity portfolio in which investments are not restricted by country or sector limits, but determined by the conviction of the investment team

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.

Martin Currie

Martin Currie, our global equity specialist manager, has had a presence in Australia since 1954. Today Martin Currie is a leading provider of active equity solutions in Australia, managing a growing suite of equity, multi-sector and tailored strategies across a common investment research platform.

Meet the team

The Global Long-Term Unconstrained team is led by Zehrid Osmani. Focused on identifying companies capable of generating long-term value creation, the team combine a background in portfolio management, sector research and corporate accountancy.



Zehrid Osmani, CA
Head of Global Long-Term Unconstrained
With firm since 2018



Amanda Whitecross
Portfolio Manager
With firm since 2008

Ratings

Qualitative



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