

Martin Currie Global Long-Term Unconstrained Fund

DEC 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)	-4.73	7.14	-30.09	-1.29	6.17
Benchmark	-5.17	3.96	-12.73	5.25	8.30

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 market?

Global equities (as represented by the MSCI ACWI ex Australia index) fell 5.17% in December. Markets fell as investor optimism that inflation may have peaked – thus paving the way for a slower pace of interest rate hikes – began to fade. While the mid-month US Federal Reserve and European Central Bank rate hikes of 0.5% were expected, both central banks reiterated their commitment to aggressive monetary policies.

Looking to 2023, we believe monetary policies will remain the key determinant of both equity market direction and style leadership between growth and value. Given ongoing uncertainty around inflation trends and monetary policies, we expect volatility between Growth and Value styles to remain elevated.

That said, markets may not need central banks to pivot from rate hikes to rate cuts to bring support for equity markets; all that might be required is a stabilisation in interest rate expectations and anticipation of the end to the hiking cycle. This could be supportive in our view, both for equity markets, and Quality Growth style leadership versus Value. With equity markets having sold off significantly during 2022, we believe equity valuations are now more supportive across global markets.

A key determinant of the global economic cycle will be the Chinese economy. The Chinese authorities' Covid policy remains unpredictable, but any further shift in policy could lead to a rapid improvement in Chinese leading indicators, which would in turn lead to an improvement in the global economic cycle.

What happened in the Fund?

The Fund was down 4.73% over the month of December, outperforming the benchmark (as measured by the MSCI ACWI ex Australia index) which fell 5.17% in December.

At the stock level, China's Wuxi Biologics' shares were strong as sentiment on China improved. At broker meetings, the company's management reiterated strong guidance revenue and profit growth for 2022 and 2023 respectively. Hong Kong-listed insurer AIA saw its positive momentum continue into December, benefiting primarily from an earlier than expected end to China's zero-Covid policy. The Chinese border reopening should boost AIA's new business volume gradually but meaningfully from its pandemic low. Nike had a strong month driven by second quarter results. It delivered an excellent set of numbers which beat consensus estimates (7% at sales, 31% at EPS) and drove upgrades for the full year. Nike's performance was strong across most geographies, while the potential for a Chinese recovery in 2023 is supportive of further momentum.

On the other side, Nvidia underperformed through December, as did other semiconductor names, with shorter-term moves affected by cyclical concerns. Online luxury retailer Farfetch underperformed as the market digested the Capital Markets Day held on 1 December. Its share price weakened as investors struggled with the company's lowered expectations for marketplace growth combined with reduced profitability. Luxury group Kering underperformed in December despite the positive backdrop of China reopening. Whilst the potential uplift from a stronger Chinese consumer should be supportive in 2023, there were concerns about the company's fourth quarter results as current trends, particularly for Gucci, remain weak.

From a Fund positioning perspective, during the month we exited online luxury retailer Farfetch. Our conviction was reduced following disappointing guidance and profitability delivered at the Capital Market Day as outlined above. Concerns were raised around its dependence on the Off White brand partnership with LVMH. We held a follow-up call with the CEO and founder, but our lower conviction was unchanged.

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

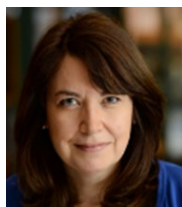
Martin Currie, our global equity specialist manager, has had a presence in Australia since 1954. Today Martin Currie is a leading provider of active equity solutions in Australia, managing a growing suite of equity, multi-sector and tailored strategies across a common investment research platform.

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



For enquiries, please contact Investor Services Team on 1800 673 776, email auclientadmin@franklintempleton.com or visit franklintempleton.com.au.

Past performance is not a reliable indicator of future performance.

This publication is issued for information purposes only and does not constitute investment or financial product advice. It expresses no views as to the suitability of the services or other matters described in this document as to the individual circumstances, objectives, financial situation, or needs of any recipient. You should assess whether the information is appropriate for you and consider obtaining independent taxation, legal, financial or other professional advice before making an investment decision. Please read the relevant Product Disclosure Statements (PDSs) and any associated reference documents before making an investment decision. In accordance with the Design and Distribution Obligations and Product Interventions Powers requirements, we maintain Target Market Determinations (TMD) for each of our Funds. All documents can be found via www.franklintempleton.com.au or by calling 1800 673 776. Issued by Franklin Templeton Australia Limited (ABN 76 004 835 849, AFSL 240827). Franklin Templeton Australia Limited as Responsible Entity has appointed Martin Currie Investment Management Limited as the fund manager of the Martin Currie Global Long-Term Unconstrained Fund (ARSN 609 150 889). **The Lonsac Rating** (assigned as follows: Martin Currie Global Long Term Unconstrained Fund - Apr 2022) presented in this document are published by Lonsac 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 Lonsac assumes no obligation to update the relevant documents following publication. Lonsac receives a fee from the Fund Manager for researching the products using comprehensive and objective criteria. For further information regarding Lonsac's Ratings methodology, please refer to the website at: <http://www.beyond.lonsac.com.au/intelligence/lonsac-ratings>. **The Zenith Investment Partners** ("Zenith") Australian Financial Services License No. 226872 rating (Martin Currie Global Long Term Unconstrained Fund assigned November 2022) 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>.