

# Martin Currie Global Long-Term Unconstrained Fund

JUN 2023 | 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 MSCI All Country World Index ("ACWI") (ex Australia) expressed in Australian dollars 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)	2.35	6.77	29.41	6.17	9.68
Benchmark	2.88	6.95	20.49	12.25	10.44

## Calendar year performance (%)

	2022	2021	2020	2019	2018
Fund (net)	-30.09	19.54	15.09	32.16	6.13
Benchmark	-12.73	25.99	6.04	26.86	0.71

## 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 delivered positive returns in June. In terms of style performance, Growth stocks outperformed Value. This was driven by US market movements. From a regional perspective, developed market equities outperformed emerging markets. Within the developed world, US outperformed Europe. Uncertainties around the US debt ceiling were removed at the beginning of the month, and central bank policies continued to dictate market sentiment. The US market climbed higher on the back of weaker inflation and expectation of a pause in interest rate hikes, before declining again as Federal Reserve chair Jay Powell hinted more rate hikes would be necessary to tame inflation following a pause in June. On the other hand, the European Central Bank stayed on its path of rate hikes by raising another 25 basis points in the face of persistent core inflation. However, global equities rebounded in the last few days of the month as inflation data was lower than expected across the US and Europe. European stocks were also lifted by hopes that China would do more to stimulate its eco-nomic recovery.

### What happened in the Fund?

The Fund was up 2.35% over the month of June, in comparison the benchmark as measured by (MSCI All Country World Index (Ex Australia) expressed in AUD returned 2.88% in June. At the Fund level, positives included L'Oreal which performed well last month in the absence of specific news flows, with investors continuing to expect positive quarterly momentum from the company. Ferrari performed well last month in the absence of specific news flows, following a strong Q1 result announced in May. Nvidia continued to perform well in June, following the announcement of its Q1 result on 24 May. This led to a c.40% increase in consensus FY23 revenue forecast, and an almost doubling of consensus earnings estimates. The company is a leader in hardware for generative artificial intelligence.

On the other side, the share price of Atlas Copco fell back in June following a strong rally on the back of its quarterly result, in the absence of company-specific news. Wuxi Biologic's share price weakness in June was driven by expected below-trend growth in the first half of 2023. This was largely due to scheduled maintenance work, announced at its Capital Markets Day in June. Separately, the company expects softness in early-stage research projects to subside as funding improves in Europe, US and China, with the number of projects recovering to normal levels in 2024 and 2025. Illumina was weak in June amidst broad based caution in life sciences as quasi-peers downgraded expectations and as CEO Francis DeSouza resigned shortly after the long-standing proxy battle came to a conclusion. While Mr DeSouza remains in an advisory role to interim CEO, SVP & General Counsel Charles Dadswell, a search assessing internal & external candidates has commenced. On this basis we see an increased probability that Grail is divested (in 1H24), regardless of the legal outcome of appeals which should refocus the market on the attractive core sequencing business, as it enters an exciting new product cycle with the Novaseq X. From a positioning perspective, during the month, no new positions were taken or exited within the Fund.

While much of the positive investor sentiment during the first quarter of 2023 came from expectations that the US federal funds rate might be close to peaking, we believe inflation is likely to be stickier, and therefore could remain higher and longer-lasting generally. As a result, we believe that central banks might not be finished hiking rates, and still believe that they are unlikely to pivot until sometime in 2024. However, inflation forecasts carry a high degree of prediction error, leading to a wide range of possible monetary policy outcomes. This is what will drive an important bull-bear debate across asset classes and will keep intra-market volatility elevated. An early end to the hiking cycle would be supportive for markets, and for the Quality and Growth equity styles. In any case, we are closer to the end of the rate hike cycle, and this should itself be supportive for Quality and Growth stocks.

In terms of the macroeconomic cycle, China's reopening has supported our central scenario of a sharp slowdown rather than recession at the global and US level for now. There has been a recent loss of momentum on the Chinese manufacturing leading indicators. Nevertheless, we expect the leading indicators to remain well oriented in the months to come, notably on the service side, even if the recovery remains uneven. The recovery of the world's second-largest economy also has the potential to be supportive for global leading indicators.

On the flip side, the tighter credit lending standards we observed in May, following the regional bank failures in March and April, could lead to higher risks for US economic activity. While this is the case, we note that the proportion of responses showing significant tightening in the Senior Loans Officers' survey was nowhere near the levels we saw during previous recessions. This is an area we will carefully monitor to assess whether there is increased risk of a US recession.

## Highlights

- The Fund invests in a concentrated portfolio of globally listed companies (ex-Australia).
- A professionally managed unconstrained portfolio, focused on selecting companies on their ability to generate high and sustainable returns over the long-term.
- The Fund combines fundamental bottom-up research with long-term thematic megatrends (demographic changes, future technology and resource scarcity).

## 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 options. Franklin Resources, Inc. is listed on the New York Stock Exchange and has employees in over 34 countries.

### Martin Currie

Martin Currie Investment Management (MCIM) is a Specialist Investment Manager (SIM) within Franklin Resources Inc. and part of the Franklin Templeton group. MCIM is an active equity specialist with investment capabilities across global equities, global emerging markets, Asian equities, and European equities. The firm is a leader in integrating Environmental, Social and Governance (ESG) and responsible stewardship of capital into its investment process. MCIM is based in Edinburgh, Scotland, and has a long history extending back to 1881.

## Ratings

### Qualitative



## 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**  
Head of Global Long-Term  
Unconstrained  
With firm since 2018



**Amanda Whitecross**  
Portfolio Manager  
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