

SHINING A LIGHT ON THE.....
Templeton Emerging Market Investment Trust

AT A GLANCE

Investment Objective	
To provide long-term capital appreciation for its investors, through investment in companies operating in emerging markets.	

Inception Date	12 th June 1989
Fund Factsheet Link	http://tools.morningstar.co.uk/uk/cefreport/default.aspx?tab=0&vw=sum&SecurityToken=F0GBR05WML%5D2%5D0%5DFCGBR%24%24ALL&Id=FOGBR05WML&ClientFund=0&CurrencyId=GBP

Management	
Manager Name	Start Date
Chetan Sehgal	1 st February 2018
Andrew Ness	17 th September 2018

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	62.95%
Large	17.67%
Medium	13.34%
Small	5.69%
Micro	0.35%

Top 10 Holdings		
Total number of holdings	99	
Assets in Top 10 Holdings	42.88%	
Name	Sector	% of Assets
Samsung Electronics	Technology	7.73%
Naspers Ltd	Technology	6.96%
Alibaba Group Holding Ltd	Consumer Cyclical	4.83%
Taiwan Semiconductor	Technology	4.81%
Brilliance China Automotive	Consumer Cyclical	4.71%
Tencent Holdings Ltd	Technology	3.42%
Buenaventura Mining Co	Basic Materials	2.97%
Unilever	Consumer Defensive	2.85%
ICICI Bank	Financial Services	2.32%
PJSC Lukoil	Energy	2.30%

Volatility Measurements	
3-Yr Std Dev (volatility)	16.14%
3-Yr Mean Return (average)	23.31%

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FUND PERFORMANCE

Performance from 1st January 2013 to 30th September 2018:

	2013	2014	2015	2016	2017	2018
Templeton Emerging Markets Trust	-8.86%	4.96%	-23.96%	47.85%	32.49%	-6.76%
iShares MSCI EM ETF	-5.82%	2.62%	-11.15%	33.56	24.43%	-4.94%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Templeton Emerging Markets Trust	-2.84%	87.48%	41.86%	2,690.15%
iShares MSCI EM ETF	1.26%	62.06%	44.29%	-

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

Over the last three years Templeton have been transitioning the trust away from Mark Mobius, who was the key figure head behind Templeton's emerging market team. As part of that process Carlos Hardenberg became lead manager of the trust, and Chetan Sehgal was Carlos' deputy. The trust had had a period of underperformance and since Carlos began managing the trust the performance has started to improve.

As part of the changes the strategy switched to new economies. Previously it had been focused on cyclical stocks and under the new team it moved towards technology and the consumer. They also reduced country risk exposure, for example reducing exposure to Thailand.

In February this year Carlos left Templeton and set up Mobius Capital Partners. Chetan became lead manager, and Andrew Ness joined the team in September. Chetan is based in Singapore and Andrew will be based in Edinburgh.

Andrew explained that although it has been disappointing to see Carlos leave there were a host of changes coming through over the last three years with the aim of having stronger risk management, transparency and better research coverage. They have been hiring new analysts and are looking at being less dependent on a single person.

In terms of changes to the strategy since Carlos left, there haven't been any as the strategy developed over the last three years remains in place. We discussed some of the holdings; Unilever is held across several strategies. They have chosen the UK listed stock as this is cheaper than the regional variant, but it still derives the majority of its income from emerging markets.

We talked about technology and whether this has distorted performance. Andrew explained that you can't dismiss technology as this is part of the changes and innovation happening in developing economies and it is important to be part of that. As an example, they have exposure to Tencent and

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Naspers. Naspers has a holding in Tencent and they have alternated between the two depending on price valuations. But technology is not just about China. They see value in the likes of Samsung and Taiwan Semiconductors.

We talked about trade and Andrew explained this has been a lot more challenging and unpredictable. This in turn is impacting China and Emerging Markets. China was deleveraging, and this was creating a slowdown, these trade concerns are just adding to this. However, ten years ago this would have been a bigger concern. Emerging Market in the main see China as their lead trade partner and trade amongst these economies are significantly more important.

In China listed companies do not tend to be based in the US whereas companies like McDonalds, KFC and Apple are more exposed to any trade war. There are concerns on the US dollar strength, but debt is global, and a strong dollar will hurt everyone. Oil is less of a concern for EM as incomes have risen and therefore can absorb many of these increases.

In summary, the trust had already been repositioned and was part of a wider process of change when Carlos left. There have been no major changes to the holdings since he left other than normal changes. The addition of Andrew and new analysts demonstrates the commitment moving forward. Although the performance has dropped back it should be seen in the wider context of a general pullback in emerging markets.

The source of information in this note has been provided by Templeton and is correct as at October 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.