

SHINING A LIGHT ON THE..... BFM Emerging Markets Fund

AT A GLANCE

Investment Objective
The Fund aims to provide a return on your investment (generated through an increase in the value of the assets held by the Fund) (gross of fees) over the long term (5 or more consecutive years beginning at the point of investment), by investing in companies incorporated or listed in emerging markets. In seeking to achieve its investment objective, the Fund will invest at least 70% of its total assets in equities (i.e. shares) or equity related investments (i.e. other investments whose value is related to equities) of companies incorporated or listed in emerging markets (i.e. those countries contained in the MSCI Emerging Markets Index that are progressing towards developing more advanced financial and economic structures).

Inception Date	4 th August 1993
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04RTO

Management	
Manager Name	Start Date
Gordon Fraser	29 th March 2017

FUND PERFORMANCE

Performance from 1st January 2016 to 28th February 2021:

	2016	2017	2018	2019	2020	2021
BFM Emerging Markets Fund	30.35%	29.21%	-5.95%	21.15%	19.44%	6.58%
MSCI EM	7.12%	27.76%	-12.24%	15.05%	16.64%	4.74%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
BFM Emerging Markets Fund	35.04%	43.22%	148.40%	67.19%
MSCI EM	31.51%	20.37%	78.25%	45.52%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
5.68	69.51	116.75	85.18	63.89	1.04	6.30	Blend/Large

LWM Consultants Ltd

Volatility Measurements	
3-Yr Std Dev (volatility)	15.91%
3-Yr Mean Return (average)	12.72%

Investment Style Details	
Giant	42.67%
Large	34.35%
Medium	9.64%
Small	1.27%
Micro	0.00%

Top 5 Holdings – 70 holdings		
Taiwan Semiconductor Manufacturi...	Technology	6.20%
BlackRock ICS USD LiqEnvtyAwr A...	-	6.19%
Tencent Holdings Ltd	Communication Services	5.99%
Kuaishou Technology	-	4.05%
Samsung Electronics Co Ltd	Technology	3.95%

Top 5 Sectors	
Technology	25.36%
Financial Services	15.67%
Consumer Cyclical	14.28%
Communication Services	10.93%
Basic Materials	9.53%

Top 5 Regions	
China	31.02%
South Korea	12.35%
Taiwan	11.53%
India	10.47%
Russia	5.79%

UPDATE....

There are many emerging market funds available to investors and trying to identify what is different is often hard. On paper the fund has a good active share class (i.e., stocks different to the benchmark), and good upside and downside capture. The one area this fund does offer something different is its style tilt.

Coming into 2020 the strategy had a “growth tilt” and during that period, “growth, momentum and quality” provided excess returns and “value” negative returns. As we moved into the second half of 2020 they moved to a neutral position which saw a reverse in style performance with only value outperforming.

This means that they are not wedded to one style but use dynamic positioning across country, sector, and style to drive the returns. The other aspect interlinked with this is a macro view where they look to buy early cycle countries that are improving and sell late cycle countries that are deteriorating. How this looks is, coming into the first half of 2020, they were adding to China and Hungary and Consumer

LWM Consultants Ltd

Staples and IT, and then reducing exposure to Korea and Mexico and Consumer Discretionary and Communication Services.

Coming into second half of 2020 they were adding to India and Taiwan and IT and Financials and reducing exposure to China and Hungary, and Communication Services and Consumer Discretionary.

BlackRock have a large emerging markets team and they are encouraged to come up with ideas which are eventually assigned a stock rating. From this the portfolio is constructed across a mix of investment horizon, stock ratings, valuation and ESG metrics.

The fund is currently overweight Russia, Mexico, Turkey, Panama and Kazakhstan and underweight Thailand, Saudi Arabia, Taiwan, South Africa, and China. Examples of changes, in Russia they see plenty of opportunities, especially in ecommerce. Mexico has a current account surplus and with the opening of economies the fund has exposure to travel. On the flipside they have started to reduce exposure to Turkey due to political concerns, they are reducing exposure to China tech due to regulatory pressure and have taken some profits from India.

In summary, this is a strategy that is worth investigating further. It has a clear active strategy of moving its style tilt depending on the teams view of markets. It looks to actively exploit countries in early cycle recovery. They worry about what they have missed by not travelling and set Turkey as an example of a country where they feel if they were on the ground they would have seen the problems. We would add this fund to our watchlist.

The source of information in this note has been provided by BlackRock and is correct as at March 2021. 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.