

STRATEGY GUIDE

Global Emerging Markets



MARTIN CURRIE

A Franklin Templeton Company

AUGUST 2023 For institutional, professional and wholesale investors only

Capturing emerging market growth through a stock driven portfolio

The Martin Currie Emerging Markets strategy is a highly selective portfolio comprised of 40-60 highly profitable businesses with sustainable long-term growth prospects.



Alpha generation

Proven philosophy to exploit under-appreciated profit growth



Sustainable growth

Targeting high quality businesses with sustainable growth at attractive valuations



Stock driven

A diversified portfolio in which stock-specific insights drive returns



Managed risk

Portfolio informed by proprietary investment research and sophisticated risk analytics



Long-term investing

Compounding investor returns over multi-year holding periods



ESG analysis fully integrated



All Martin Currie portfolios focus on Stewardship



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The strategy offers



Alpha generation

We have a proven investment philosophy that exploits the market's tendency to underestimate the true value of sustainable growth companies. We have consistently applied this philosophy over many years to our clients' advantage.



Sustainable growth

We only invest in companies positioned to benefit from long-term growth opportunities in emerging markets. Investors frequently underestimate the value of companies that sustain long term growth. Our investment process is designed to exploit this market inefficiency by identifying high quality businesses with sustainable growth at attractive valuations.



Stock driven

We construct portfolios where stock specific insights drive returns. Stock driven portfolios, backed by fundamental research, are the best way to exploit market inefficiencies and generate long term outperformance.



Managed risk

We build portfolios that emphasise stock specific conviction whilst maintaining broad diversification. Every holding is backed by our proprietary investment research, including a thorough assessment of macro-political and ESG factors relevant to the investment case. We continuously monitor the risk characteristics of our combined portfolio to ensure it meets our expectations.



Long-term investing

The effectiveness of a company's strategy can often take years to become apparent. We look for meaningful progress on a three-to-five year horizon and invest for the long-term, to fully exploit mispricing opportunities. Not only does this lead to compounding returns over multi-year holding periods but combined with low portfolio turnover it also minimises transaction costs.

All Martin Currie portfolios fully integrate Environmental, Social and Governance (ESG) assessment, engagement and voting into their investment process



We systematically consider ESG factors when assessing companies as we believe they are critical to a company's ability to generate sustainable returns. This assessment is conducted within our team by portfolio managers rather than by a separate ESG research team. This ensures these factors get a proper weighting in the conviction-building process. We look for businesses that show an awareness of material issues and a commitment to sustainability best practice. We actively engage with corporate management to understand the opportunities and challenges they face as well as how they are adapting to these. Ultimately this leads to our investment decisions and voting decisions being better informed.



How we identify opportunities

Evaluating sustainable growth in high-return businesses

Emerging markets are home to some truly world class businesses with sustainable long-term growth prospects. However, not all companies display these characteristics and as such we prefer to take a highly selective approach when considering companies for our strategy.

Our investment process has been developed over many years of emerging market investing. It supports our highly differentiated approach to investment and ensures we can deliver a truly stock driven portfolio.

We focus our attention on businesses that generate economic value

These are businesses with a return on invested capital (ROIC) in excess of their weighted average cost of capital (WACC).

Before committing the significant resource necessary to fully analyse a company we first establish the sustainability potential of the business model. We do this by confirming that it satisfies three additional criteria. The company must possess:

- a sustainable source of competitive advantage.
- multi-year growth potential.
- a commitment to effective management of sustainability risks.

Fortunately, companies meeting our criteria can be found in all industries and countries in emerging markets and this allows us to remain selective whilst knowing we have a diverse range of companies to choose from.



Proprietary modelling allows us to build conviction

We create our own financial models to quantify how each company's strategy translates into shareholder value. Our proprietary models allow us to perform sensitivity analysis, explore scenarios and make valuation comparisons across our multi-country investment universe. We update our research throughout the year with findings from company financial reports and company meetings.

Ultimately, the fundamental analysis work we do gives us a more accurate assessment of mispricing in stocks and leads to better investment decisions. Only stocks in which we have the highest level of conviction will make it through to our client portfolios.

Sustainability and governance are central to developing profitable insights

We conduct rigorous stock-level research to understand what drives each business and to gain deep insight into its growth potential. Central to our stock-level research is an appreciation of each company's governance and sustainability positioning. This consideration of ESG factors enhances our understanding of firms and helps us identify those most likely to sustain strong returns. We also conduct macro-political research to understand the conditions most likely to impact our bottom up investments.

We focus on the most material ESG factors

We fully integrate ESG analysis across multiple stages of our investment process, using a number of proprietary tools to develop a deeper understanding of the companies we invest in. We are most interested in those which could have a material impact on the company's financial performance, market reputation, share price, or the potential presence of material negative environmental or social externalities.

The tools include:

- Governance & Sustainability Assessment
- Carbon Analysis
- Modern Slavery Risk Assessment
- SDG Framework
- Engagement & Voting

Our research assessment, inclusive of our ESG toolkit, informs our investment decisions. All decisions, regardless of buying, selling, adding or trimming, undergo the same consistent process of rigorous research and team discussion before being implemented.

The Global Emerging Markets Portfolio

Building a stock driven portfolio

We devote significant resource and expertise to find the best stock investments from across the emerging markets. These stocks are ideal components for building a portfolio with the durability to perform in all market conditions. Our portfolio construction process draws on our deep understanding of company specific risks allied with our understanding of long-term macro conditions.

The same high-quality data from our research process is used in our portfolio construction

We use the same high-quality data that serves our individual stock assessments to inform our portfolio weighting decisions. Doing so, identifies our highest conviction investments and provides the information we require to calibrate the economic exposure of the portfolio.

The portfolio is diversified by economic exposure

When assessing economic exposure, we look way beyond categorisations based on country of listing. Our detailed stock-specific data allows us to map portfolio exposures by geographic and industry demand, thematic drivers, macro-political factors and sustainable development goals. Above all, the information we derive from our data helps us build portfolios that emphasise our stock specific convictions whilst maintaining broad diversification across sources of risk.



High conviction stock ideas reduce risk

Whilst our portfolio construction is informed by our stock specific research insights, we continuously monitor our combined portfolio to understand how its risk and performance characteristics compare with those of our reference benchmark. We use a wide range of measurement tools to assess portfolio behaviour, quantify risk exposures and predict future behaviour. By owning our best stock ideas, drawn from a diverse range of countries and industries, we ensure our clients unlock the potential that exists in emerging markets without taking excessive risk. The most visible result of this is the fact that our portfolios own our best ideas while avoiding large country-level mismatches relative to our reference benchmark. In essence, we build portfolios that emphasise our stock specific conviction whilst maintaining broad diversification of factor exposures.

A long-term investment horizon to exploit opportunities

We are patient; developing research insights on a three-to -five year horizon and investing for the long term to fully exploit mispricing opportunities. Not only does this lead to compounding returns over multi-year holding periods but, with low portfolio turnover, it also minimises transaction costs. We have managed our portfolio this way since the inception of our strategy in 2010 and this has led to consistent portfolio characteristics and is key to how we seek to deliver superior alpha for our clients.

The Global Emerging Markets team

Making experience count

When it comes to emerging market investment, experience counts.

Our investment team has a wealth of experience in emerging market investing, with over 100 years combined investment experience. From our base in Edinburgh, we travel the world to meet emerging market companies, their suppliers, customers and competitors. We recognise the value that experience adds to our work and we maximise this value by following a collaborative whole-team approach to investing. We work together on all research underpinning our investments and together we take the decisions that drive our portfolio.

This investment approach sets us apart from most other managers and has been a key ingredient in our success. We may do things differently, however, our approach is based on sound logic: when faced with the complexity of identifying mis-priced companies and building durable portfolios, many minds are better than one. By working together, we harness our collective knowledge and diverse thinking to make better investment decisions.



Alastair Reynolds
Portfolio Manager



Divya Mathur
Portfolio Manager



Paul Desoisa
Portfolio Manager



Paul Sloane
Portfolio Manager



Colin Dishington
Portfolio Manager



Aimee Truesdale
Portfolio Manager



Andrew Mathewson
Portfolio Manager



Key facts

Objective	Outperform MSCI Emerging Markets Index over rolling five-year periods
Universe	Global Emerging Market listed equities
Benchmark	MSCI Emerging Markets
Market capitalisation	All-Cap
Country limit	As a result of stock selection and managed within factor risk analysis
Sector limit	As a result of stock selection and managed within factor risk analysis
Security limit	10%
Number of stocks	40-60
Portfolio turnover	Low, with expected turnover of <30% per annum
Forecast tracking error	Maximum of 8% per annum
Inception date	1 October 2010*
How to access	Investors can access our strategies through a segregated account or a range of pooled vehicles.

Investment vehicles only available in certain jurisdictions. The characteristics shown are guidelines only and are not hard risks limits.

*Since manager tenure date is 1 October 2010.

About Martin Currie

 <p>Over 140 years of investment experience</p>	 <p>FRANKLIN TEMPLETON</p> <p>Specialist investment manager of Franklin Resources Inc.</p>	 <p>Market leading ESG credentials</p>
 <p>Team of 51 investors managing high-conviction portfolios</p>	 <p>Offices located in Melbourne, Edinburgh, Leeds, London, New York & Singapore</p>	 <p>Total AUM US\$21.8 billion</p>

Source: Martin Currie; as of 31 March 2023.

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The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. The strategy/ies do not necessarily target particular sustainability outcomes.

Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.
- The strategy may invest in derivatives (Index futures and FX forwards) to obtain, increase or reduce exposure to underlying assets. The use of derivatives may result in greater fluctuations of returns due to the value of the derivative not moving in line with the underlying asset. Certain types of derivatives can be difficult to purchase or sell in certain market conditions.

For institutional investors in the USA:

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