

November 2021

### INVESTMENT OBJECTIVE

The Fund seeks long-term capital appreciation by investing in a concentrated portfolio of common equities domiciled within global emerging markets. Employs a relative valuation, priced focused approach to identify and exploit behavioral mispricing and market inefficiencies.

### FUND DETAILS

#### Reference Index

MSCI Emerging Markets Index

#### Portfolio Manager

Andrew Cormie

*Returns are MSCI Index total returns, in US dollar terms, unless otherwise stated.*

### Market review

Global equity markets declined in November. The broad market initially continued to build on October's gains during the first half of November, but sentiment soured significantly into the end of the month as the appearance of the new Omicron coronavirus variant weighed on sentiment. The new variant is feared to be more transmissible than previous versions and more resistant to vaccines. The WHO quickly labeled it a "variant of concern" and major governments swiftly placed travel bans on people flying from several Southern African countries, including South Africa where the variant was first detected. Investors also continued to weigh the prospect of less accommodative policy from the Fed - with Chairman Powell suggesting that it was time to retire the word "transitory" to describe inflation, whilst also flagging a sooner than expected taper of bond purchases - and the broader global inflationary pressures.

The MSCI emerging market (EM) index returned -4.1% in USD terms in November, marginally outperforming developed market peers. Among emerging markets, EM LatAm was the key outperformer while EM EMEA lagged.

EM Asian markets returned -3.7% in USD terms in November. China equities weakened in November, returning -6.0% in USD terms amid the ongoing property slump as well as fears surrounding the emergence of the Omicron COVID-19 strain. However, China's factory activity unexpectedly rebounded from 49.2 in October to 50.1 in November due to the easing of supply pressures. Meanwhile, Taiwan equities delivered 2.2% during the month. Despite the global chip shortages, Taiwan's 2021 semiconductor production is expected to reach a record growth of more than 25%.

Elsewhere, India returned -3.0%, outperforming the Asian peers and emerging markets. Southeast Asian markets were all in negative territory, with the exception of Philippines which gained 2.6%. India's manufacturing sector gained further in November, and witnessed the strongest increase in production and sales since February on the back of improving market conditions. Separately, India recorded the lowest number of fresh COVID-19 cases in November since May 2020, below 20K for the past 53 days.

Elsewhere, EM EMEA was the worst performing EM region and returned -7.0% in USD terms during the month. Russian equities were weighed by a decline in energy prices, while South Africa was impacted by increased travel restrictions amid a rise in the Omicron variant. Turkey was weighed by currency losses as the Turkish Lira experienced its steepest depreciation in 20 years. Meanwhile EM LatAm returned -2.9% in USD terms in November. Mexico was a key underperformer on the back of a surprising nomination of Victoria Rodriguez Ceja as the Governor of Banxico, which stoked concerns about the central bank's autonomy. Conversely, Chile outperformed following better than expected outcome of the first round of general elections.

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### Key Contributors

The Fund does not own China's internet commerce group Alibaba and this added to relative performance during the period as the stock underperformed. At these levels, we regard the stock as expensive and see many more attractively valued opportunities elsewhere.

CTBC outperformed over the month on improving investor sentiment. A longer term holding of the fund, we continue to find the valuation very attractive for this high-quality wealth manager in Taiwan. As interest rates move from their long term low levels we expect their banking and insurance businesses to benefit.

Gruma outperformed in November despite Mexico equity market falling over the month. As one of the world's largest tortilla and corn flour producers, we continue to like Gruma's dominant market position, strong balance sheet and attractive cash flow yield and see further upside potential from here.

### Key Detractors

An overweight to IndusInd Bank Ltd detracted from relative performance over the period as sentiment deteriorated for the stock. We believe that IndusInd offers very attractive valuation for a balance sheet position that has improved over the past year. Despite Covid-related headwinds, deposit growth has remained steady and asset quality concerns have also been subsiding. The bank appears well positioned to accelerate growth as economic environment stabilizes.

An overweight to Ternium S.A. detracted from the Fund's relative performance in the month. As one of the largest producers of steel products in Latin America, this high-quality business has a strong competitive position and balance sheet. We maintain our high conviction in the stock as we see further upside potential.

The Fund does not own a position in Taiwan Semiconductor Manufacturing which detracted from relative performance as the company's share price outperformed in November. We believe that the company's shares trade at an excessive valuation relative to its sustainable earnings.

### Fund Activity

There was no significant Fund activity during the month.

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### Strategy and Outlook

Global emerging market equities continue to offer stock specific valuation opportunities and remain cheap relative to the developed markets of the west.

We have continued to see value stocks outperform in 2021 as investors have been prepared to take a longer investment horizon while questioning high valuations on many quality and growth stocks. Many cyclical stocks have outperformed that are well set to benefit from the ongoing global economic stimulus, pent up consumer demand and a renewed focus on decarbonisation related investment.

The valuation anomaly within global emerging markets between value and quality / growth stocks remains near extreme levels and the Fund is well positioned to capture the opportunity as it unfolds.

We continue to follow our disciplined valuation driven approach with a longer-term investment view to identifying investment opportunities across global emerging markets.

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Eastspring Investments, Inc.  
203 N LaSalle Street, Suite 2100  
Chicago, IL 60601  
Tel: +1.312.730.9529

[eastspring.us/offshoreadvisor](https://eastspring.us/offshoreadvisor)

