

**Fund Fact Sheet**

31/08/2023

**Asset Class**

Equities Global Emerging Markets

**Fund Characteristics**

AUM	€ 384,2 mn
Launch date	31/10/2007
Oldest share class (B)	LU0309192036
Turnover (2022) <sup>1</sup>	20%
Reference currency	EUR
Share classes available in (unhedged)	USD
Legal structure	SICAV, UCITS
Domicile	Luxembourg
European Passport	Yes
Countries of registration	AT, BE, CH, DE, DK, ES, FI, FR, GB, IT, LU, NL, NO, SE, SG, PT

**Representative Market Index**

MSCI Emerging Markets NR (Eur)

**Fund Manager**

**Marc Erpelding** is a fund manager at BLI. After a degree in civil engineering at the Swiss Federal Institute of Technology in Zurich (ETH Zurich), Marc worked for a short time in industry in Zurich and New York. After his Master's degree in Management from King's College, London, Marc returned to Luxembourg in 2002 to join the Asset Management department of Banque de Luxembourg. Marc obtained his Certified International Investment Analyst (CIIA) diploma in 2005 and has been in charge of emerging market equities since 2007.

**Management Company**

BLI - Banque de Luxembourg Investments  
16, boulevard Royal  
L-2449 Luxembourg  
Tel: (+352) 26 26 99 - 1  
www.bli.lu

**Dealing & Administrator Details**

UI efa S.A.	
Tel	+352 48 48 80 582
Fax	+352 48 65 61 8002
Dealing frequency	daily <sup>2</sup>
Cut-off time	17:00 CET
Front-load fee	max. 5%
Redemption fee	none
NAV calculation	daily <sup>2</sup>
NAV publication	www.fundinfo.com

**Investment policy**

The fund's objective is to generate long-term capital gains by investing flexibly (between 60% and 100% of net assets) in quality companies listed on global emerging markets (Asia ex-Japan, Latin America, Eastern Europe, Africa and the Middle East) with a strong and sustainable competitive advantage. The equity allocation varies according to the number of companies available that meet the investment criteria (quality fundamentals and valuation).

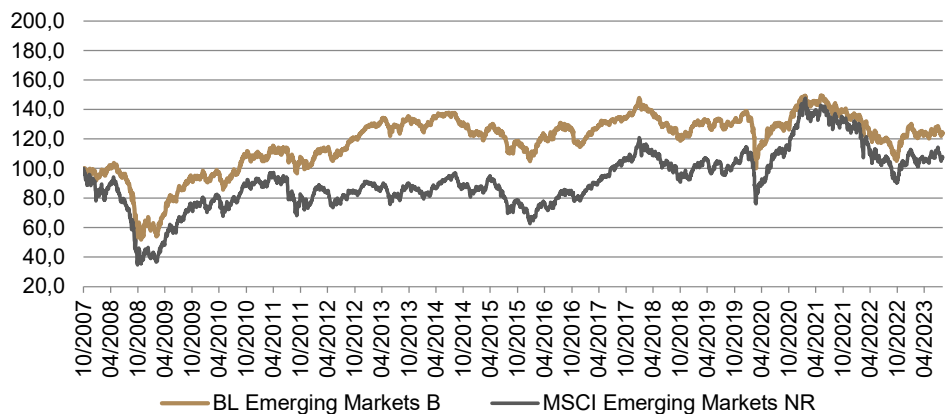
The balance is held in cash and emerging market government bonds.

A minimum of 5% of the fund's assets will be invested in sustainable assets.

The fund manager implements an active, long-term strategy based on solid convictions and aims to outperform the return on emerging market equities with lower volatility.

**Key features**

- An active, fundamental, conviction-based and purely bottom-up approach, oriented towards the long term;
- A variable allocation to equities (between 60% and 100%) depending on the attractiveness of companies within the investment universe in terms of quality of fundamentals and valuation;
- Investments in emerging market bonds and liquidity to cushion equity market corrections;
- A combination of regional players with a large market share and companies with international reach;
- Integration of ESG factors at different stages of the investment process (exclusions, analysis, valuation, monitoring of controversies, voting policy and engagement);
- Non-benchmarked management resulting in significant deviations from the initial investment universe;
- Low turnover.



Performance	YTD	2022	2021	2020	2019	2018
Fund (B shares)	-0,2%	-4,8%	2,8%	-4,8%	13,7%	-8,3%
MSCI EM NR EUR	2,8%	-14,9%	4,9%	8,5%	20,6%	-10,3%

	1 month	6 months	1 year	3 years	5 years	10 years	Since Launch
Fund (B shares)	-2,6%	-0,8%	-3,4%	5,2%	4,8%	20,3%	64,7%
MSCI EM NR EUR	-4,7%	1,3%	-6,2%	5,7%	12,6%	63,1%	43,1%

Annualised Performance	1 year	3 years	5 years	10 years	Since Launch
Fund (B shares)	-3,4%	1,7%	0,9%	1,9%	3,2%
MSCI EM NR EUR	-6,2%	1,9%	2,4%	5,0%	2,3%

Annualised Volatility	1 year	3 years	5 years	10 years	Since Launch
Fund (B shares)	9,8%	9,8%	11,6%	10,8%	12,7%
MSCI EM NR EUR	14,5%	15,2%	17,8%	17,0%	19,5%

The market index (MSCI Emerging Markets) is shown in the performance chart as well as in the performance tables above for performance measurement purposes only and it should under no circumstances be considered as an indication of a specific investment style or strategy. Investors are also invited to consult the performance chart disclosed in the key investor document of the sub-fund.

<sup>1</sup> min (purchases, sales) / average of net assets

<sup>2</sup> Luxembourg banking business day

### Current Portfolio

31/08/2023

#### Top Equity Holdings

TSMC	3,4%
Samsung Electronics	3,0%
Vietnam Dairy Product	2,7%
Netease	2,5%
Ambev	2,3%
Alibaba Group	2,3%
Thai Beverage	2,2%
L'Occitane	2,1%
CCU	2,1%
Indofood	2,1%
<b>Weight of Top 10</b>	<b>24,9%</b>
<b>Number of equity holdings</b>	<b>63</b>

#### Asset Allocation

EM Equities	84,3%
Cash & Fixed Income	15,7%

#### Regional Allocation

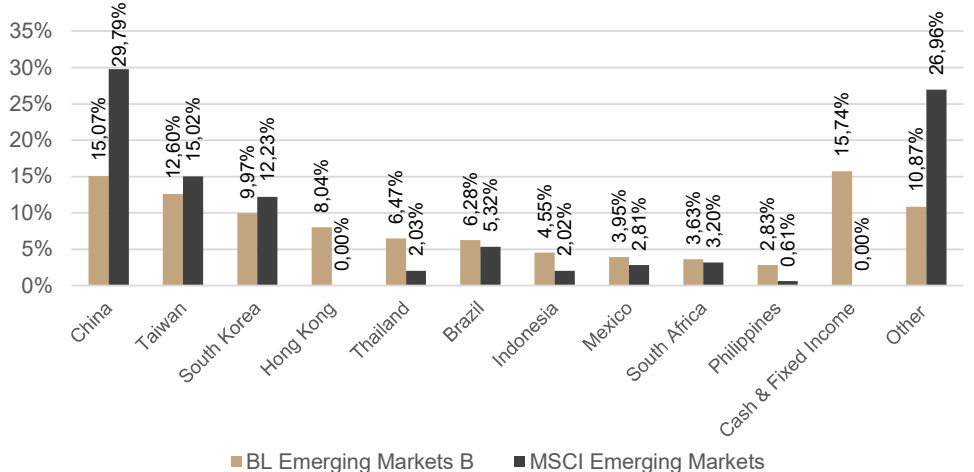
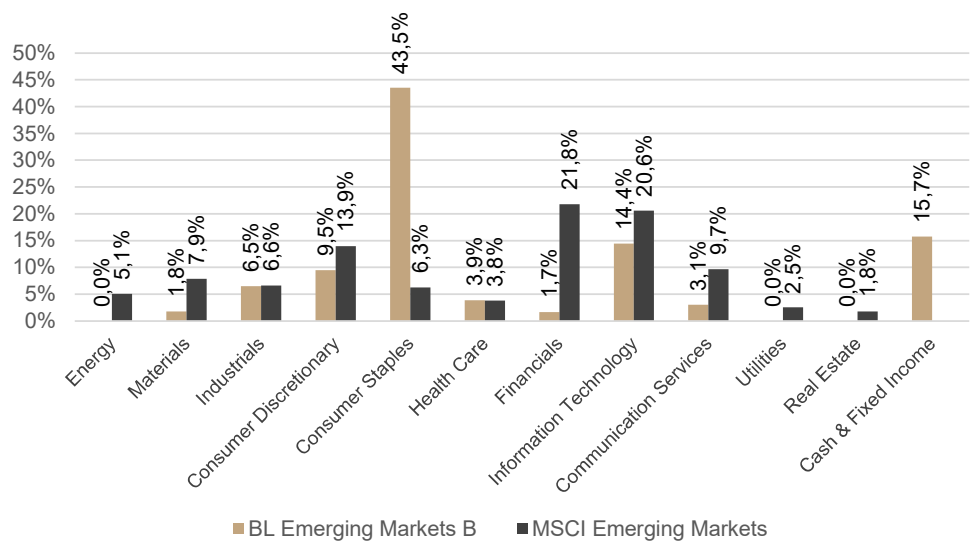
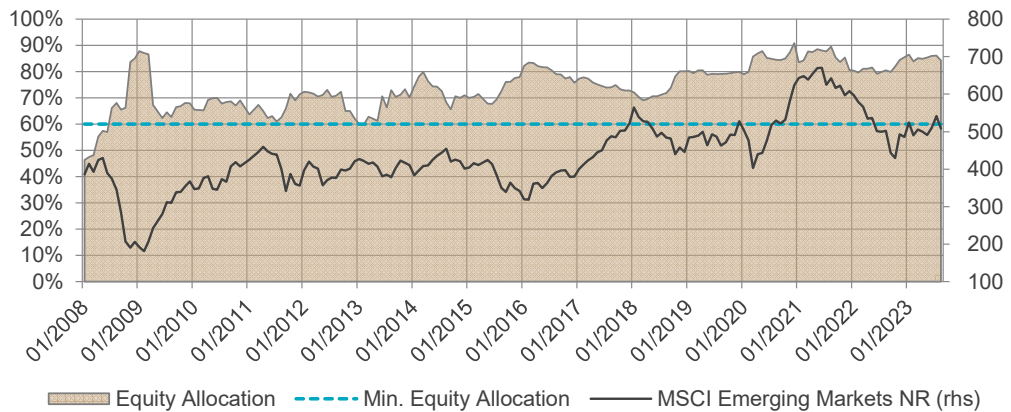
Asia ex Japan	67,8%
Latin America	12,8%
EEMEA	3,6%
Cash & Fixed Income	15,7%

#### New Equity Investments in August

No new holdings

#### Equity Investments sold in August

Sunny Friend Environmental



Investor Type	Clean Share	Eligibility restrictions	Share class	Currency	Currency Hedging	Income	Mgmt fee	On-going Charges	SRI	ISIN	Bloomberg ticker
Retail	No	No	A	EUR	No	Dis	1,25%	1,48%	3	LU0309191905	BLEMMKA LX
Retail	No	No	B	EUR	No	Cap	1,25%	1,48%	3	LU0309192036	BLEMMKB LX
Retail	No	No	BC	USD	No	Cap	1,25%	1,48%	4	LU0887931029	BLEMMTC LX
Retail	Yes	Yes	AM	EUR	No	Dis	0,85%	1,08%	3	LU1484144164	BLEMMAM LX
Retail	Yes	Yes	BM	EUR	No	Cap	0,85%	1,08%	3	LU1484144248	BLEMMBM LX
Retail	Yes	Yes	BCM	USD	No	Cap	0,85%	1,08%	4	LU1484144321	BLEMBM LX
Institutional	No	Yes	BI	EUR	No	Cap	0,60%	0,79%	3	LU0439765677	BLEMMBI LX
Institutional	No	Yes	BCI	USD	No	Cap	0,60%	0,79%	4	LU1484144594	BLEMBICI LX

**Management Report****31/08/2023**

The emerging markets' equity index, the MSCI Emerging Markets NR, was down by 4.7% (in EUR) during the month of August. The fund (retail class B) was down by 2.6% (in EUR) over the same period.

The sectors that performed best during the month were energy, information technology and consumer staples. The worst sectors during the month were communication services, consumer discretionary and utilities.

China slid into deflation in July with consumer and producer prices dropping into negative territory. A prolonged property market slump, plunging demand for exports and subdued consumer spending are weighing on China's economy.

Nevertheless, the latest quarterly results from **Alibaba** and **JD.com**, two of the country's largest e-commerce platforms, gave investors some comfort. Alibaba's consolidated revenues were up by 14% compared to the previous year coupled with strong margins and JD.com increased total revenues by over 7%. Especially electronics sales, one of JD.com's key segments, resumed strong growth.

On the industrial side, **Haitian International**, the China-based manufacturer of plastic injection moulding machines confirmed the weak domestic demand with sales down by 8% in China but up by 9% overseas. Management expects sales to pick up in second half of the year with improving order growth in recent months.

The fund manager trimmed the position held in Taiwanese **King Slide Works** as the strong rally in its shares made the valuation less compelling. As a global leader in high-end server rack slides, the company remains a key beneficiary of larger and heavier AI servers going forward.

On August 23rd, the founder's privatization offer for **Dali Foods** at 3.75 HKD per share was approved and the company will be de-listed from Hong Kong Stock Exchange.

Another company that might de-list from Hong Kong is **L'Occitane**. Its controlling shareholder Reinold Geiger announced that he is considering a possible take-private deal for the skincare company with brands like L'Occitane en Provence, Elemis, Erborian or Sol de Janeiro. The potential offer price would be no less than 26 HKD per share according to a company statement.

During the month, the fund manager sold close to half of the fund's position in **Alicorp** through a tender offer by Grupo Romero, the majority shareholder of the Peruvian food and beverage company. The offer price was 7.50 Peruvian sols per share.

The small position held in Taiwanese company **Sunny Friend Environmental** was liquidated. The company, active in industrial and medical waste treatment and disposal, has suffered significant revenue declines with costs remaining high. The ensuing margin compression over the past months has become a worrying trend.

The equity allocation was slightly reduced from 86% to almost 84% by the end of August.

## Investment Approach

### Investment Principles

#### **Limit losses**

The value of an investment that has lost 50% must double to recover incurred losses.  
*Avoiding losses is more important than generating extraordinary gains.*

#### **Focus on quality**

We seek companies with a sustainable competitive advantage.  
*As a long-term stakeholder in the company, we need conviction in the long-term viability and strength of its business model.*

#### **Valuation / margin of safety**

The price paid for an investment determines its potential return.  
*We invest with a margin of safety in order to minimize the likelihood of suffering losses on our investments.*

#### **Master investment risks**

Risks arise when the parameters of an investment are not properly understood.  
*We avoid investing in companies we do not fully understand.*

#### **Active management**

The relevant market index is solely used for performance measurement.  
*Owing to the active investment approach of our portfolio management, the portfolio structure may deviate strongly from that of the relevant market index*

### **Equity Investment Approach: Business-Like Investing**

We consider an equity investment as a long-term participation in a business. As a consequence, we need to ensure that the businesses we invest in are able to compete successfully within their line of business and remain profitable for the years to come.

#### **Quality**

In the first step of our investment process, we perform an in-depth review of the company's business model in order to identify its sustainable competitive advantage. A competitive advantage creates barriers to entry for competitors and adds value for its shareholders.

In the second step, we analyse whether the competitive advantage translates into recurrent free cash-flow. We place special emphasis on the analysis of the maintenance capex requirements of the targeted companies to make sure that the generated cash-flow is not absorbed by excessive investment needs to remain in business. This is an issue in capital-intensive business models.

How the targeted company uses its capital is analysed in the third step of our investment process. The company's management faces the following options: investment in current business activities, development of new activities, takeovers, dividend payments, stock buybacks or debt repayments.

Only companies that comply with our quality criteria are considered for inclusion into our portfolios, which may lead to significant deviations from the market indices.

#### **Valuation**

Even quality investments may lead to significant capital losses if the price paid for the investment proves too high. To avoid this pitfall, we derive a fair value for each targeted company prior to investing. This fair value is based on the company's normalised free cash-flow (i.e. after maintenance capex) and serves as reference point for our buy and sell discipline.

### **Portfolio characteristics**

BL-Emerging Markets' investment portfolio consists of 50 to 70 stocks that meet our quality and valuation criteria. The portfolio structure in terms of regions, countries, sectors and market caps is not linked to a market index, but derives from the addition of individual investment opportunities. The fund manager seeks companies with a sustainable competitive advantage ensuring high levels of profitability and strong free cash-flow generation.

Applying our bottom-up investment approach to emerging markets results in some sectors being structurally higher weighted (consumer goods and services, healthcare, industrials and information technology) in the portfolio than others (financials and insurance, commodities, utilities and telecom).

The equity portfolio will have no constraints with respect to market capitalisation, although each stocks' trading liquidity is closely monitored. The average market cap of the portfolio will likely be lower compared to the market, as Emerging Markets tend to be dominated by large financial holdings and natural resource companies.

Most companies included in the fund are either local or regional players that command a large and sometimes dominating market share in their respective sector or global players with the competitive advantages to prevail on a global scale.

The fund's flexible equity structure (60% – 100%) allows the fund manager to react to over- and undervaluations of quality companies. The resulting cash and fixed income (government bonds from emerging markets or supranational debt) component has the aim to protect the portfolio during market sell-offs. This part is mainly invested in hard currency investment grade bonds (EUR and USD).

The fund's strategy to focus its investments on attractively valued quality companies enjoying a strong competitive advantage is expected to result in a superior risk-return profile compared to the MSCI Emerging Markets over an entire market cycle.

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