

**Fund Fact Sheet**

30/09/2021

**Asset Class**

Equities Global Emerging Markets

**Fund Characteristics**

AUM	€ 500,3 mn
Launch date	31/10/2007
Oldest share class (B)	LU0309192036
Turnover (2020) <sup>1</sup>	7%
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**

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**Dealing & Administrator Details**

European Fund Administration (EFA)  
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

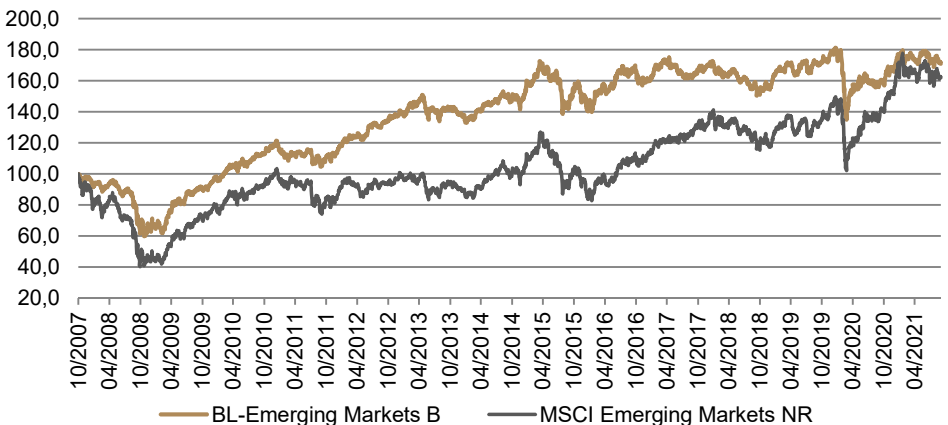
**Investment Objective**

The fund seeks long-term capital appreciation by investing in companies benefiting from a sustainable competitive advantage and located in Asia ex Japan, Latin America or the EEMEA region. The weight given to equities ranges between 60% and 100%, depending on the availability of attractively valued quality businesses. The balance is held in cash and emerging market government bonds.

Most companies included in the fund are either 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.

**Key Facts**

- Equity investments are considered as a long-term stake in a business.
- Focus on companies with a strong and sustainable competitive advantage.
- Pure stock-picking. No top-down allocation.
- Equity weighting between 60% and 100% depending on the availability of attractively valued companies.
- The cash and fixed income weighting is the residual of the stock-picking and should act as a buffer during market corrections.
- Significant deviations from market structure in terms of regions, countries, sectors and market cap.
- Low turnover.



Performance	YTD	2020	2019	2018	2017	2016
Fund (B shares)	1,8%	-4,8%	13,7%	-8,3%	6,2%	6,3%
MSCI EM NR EUR	4,3%	8,5%	20,6%	-10,3%	20,6%	14,5%

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Fund (B shares)	-2,4%	-4,2%	-2,6%	9,0%	8,0%	4,0%	61,2%
MSCI EM NR EUR	-2,2%	-6,0%	-2,1%	19,6%	28,3%	50,8%	109,0%

Annualised Performance	1 year	3 years	5 years	10 years
Fund (B shares)	9,0%	2,6%	0,8%	4,9%
MSCI EM NR EUR	19,6%	8,7%	8,6%	7,6%

Annualised Volatility	1 year	3 years	5 years	10 years
Fund (B shares)	9,3%	12,6%	10,9%	10,7%
MSCI EM NR EUR	15,5%	19,5%	17,1%	17,4%

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 information document of the sub-fund.

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

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

### Current Portfolio

30/09/2021

#### Top Equity Holdings

Tencent Holding	4,5%
TSMC	4,3%
Alibaba Group	3,5%
Samsung Electronics	3,2%
Ambev	2,4%
Yum China Holdings	2,4%
FEMSA	2,4%
Vietnam Dairy Product	2,2%
Want Want China	2,2%
President Chain Store	2,1%
<b>Weight of Top 10</b>	<b>29,2%</b>
<b>Number of equity holdings</b>	<b>64</b>

#### Asset Allocation

EM Equities	85,3%
Cash & Fixed Income	14,7%

#### Regional Allocation

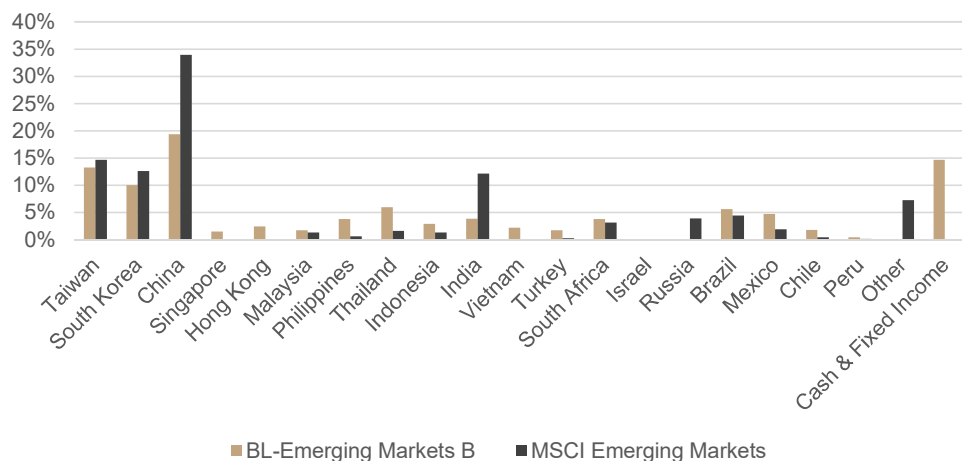
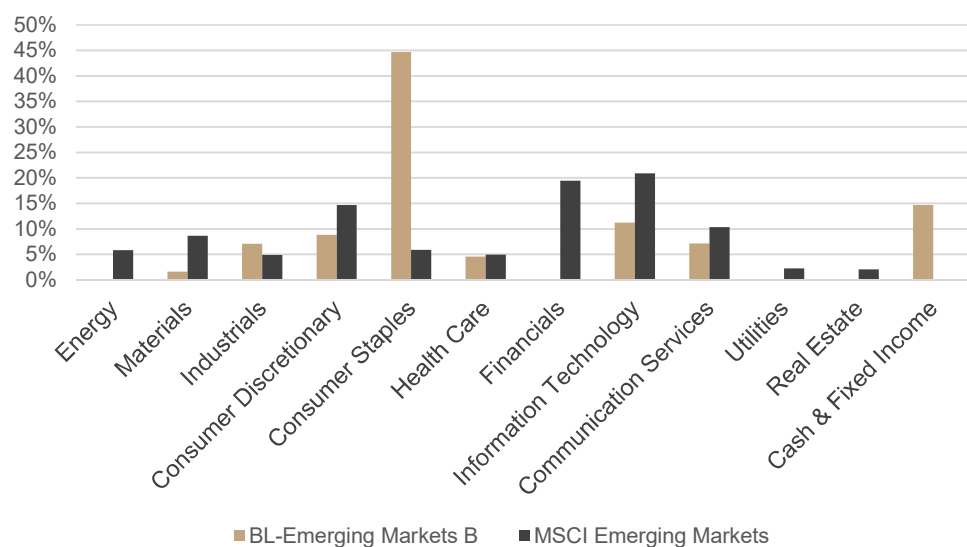
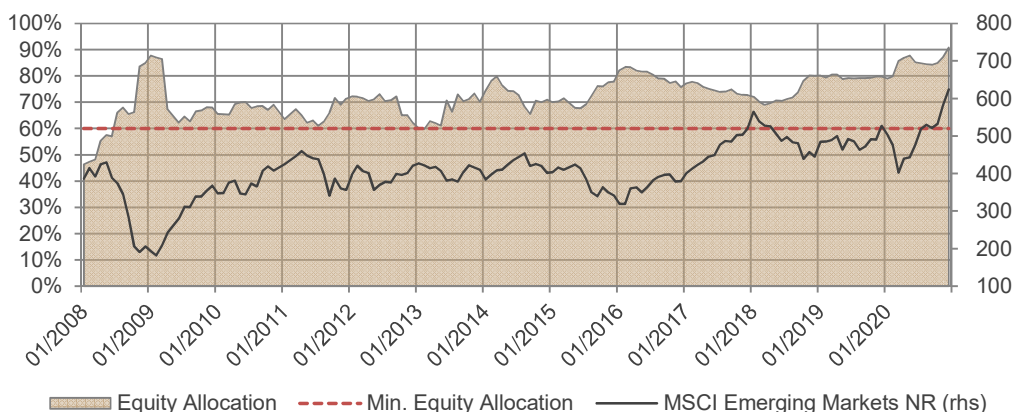
Asia ex Japan	67,2%
Latin America	12,6%
EEMEA	5,5%
Cash & Fixed Income	14,7%

#### New Equity Investments in September

No new holdings

#### Equity Investments sold in September

Grupo LALA



Investor Type	Clean Share	Eligibility restrictions	Share class	Currency	Currency Hedging	Income	Mgmt fee	On-going Charges	SRRI	ISIN	Bloomberg ticker
Retail	No	No	<b>A</b>	EUR	No	Dis	1,25%	1,50%	5	LU0309191905	BLEMMKA LX
Retail	No	No	<b>B</b>	EUR	No	Cap	1,25%	1,50%	5	LU0309192036	BLEMMKB LX
Retail	No	No	<b>BC</b>	USD	No	Cap	1,25%	1,50%	5	LU0887931029	BLEMMTC LX
Retail	Yes	Yes	<b>AM</b>	EUR	No	Dis	0,85%	1,10%	5	LU1484144164	BLEMMAM LX
Retail	Yes	Yes	<b>BM</b>	EUR	No	Cap	0,85%	1,10%	5	LU1484144248	BLEMMBM LX
Retail	Yes	Yes	<b>BCM</b>	USD	No	Cap	0,85%	1,10%	5	LU1484144321	BLEMBCM LX
Institutional	No	Yes	<b>BI</b>	EUR	No	Cap	0,60%	0,81%	5	LU0439765677	BLEMMBI LX
Institutional	No	Yes	<b>BCI</b>	USD	No	Cap	0,60%	0,81%	5	LU1484144594	BLEMBCI LX

## Management Report

30/09/2021

The emerging markets' equity index, the MSCI Emerging Markets NR, was down by 2.2% (in EUR) during the month of September. The fund (retail class B) was down by 2.4% (in EUR) over the same period.

The best performing sectors were again energy, utilities and real estate. Sectors like consumer discretionary, materials and information technology were lagging during the month of September. The performance gap between the best and the worst sector was over 15%.

A large performance discrepancy was also noticed between emerging market regions. The best performing region EEMEA, essentially driven by energy-related Russian companies, outperformed the Latin America region by more than 10%.

The sell-off in Chinese stocks paused during the month, although fears over further government intervention as a result of Beijing's continued efforts to promote fair competition, social equality, data security, carbon neutrality and protection of minors and the elderly remain.

This said, the month saw a sharp correction in casino operators from Macau. Officials announced harsher casino regulations and tighter restrictions, including appointing government representatives to supervise companies.

Headline news were further dominated by China Evergrande, the Chinese property developer facing a severe credit crunch and being at the brink of bankruptcy. The outcome and the ripple effects of a possible Evergrande insolvency are still unknown.

The portfolio does not have any direct exposure to casino operators nor property developers.

During the month, Mexican dairy company Grupo Lala exited the portfolio after a successful tender offer by its majority shareholders. The company will go private.

The equity allocation by the end of September stood close to 85%.

## 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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