

Fund Fact Sheet

29/12/2023

**Asset Class**  
Equities Global Emerging Markets

Fund Characteristics	
AUM	€ 351,5 mn
Launch date	31/10/2007
Oldest share class (B)	LU0309192036
Turnover (2023) <sup>1</sup>	9%
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)

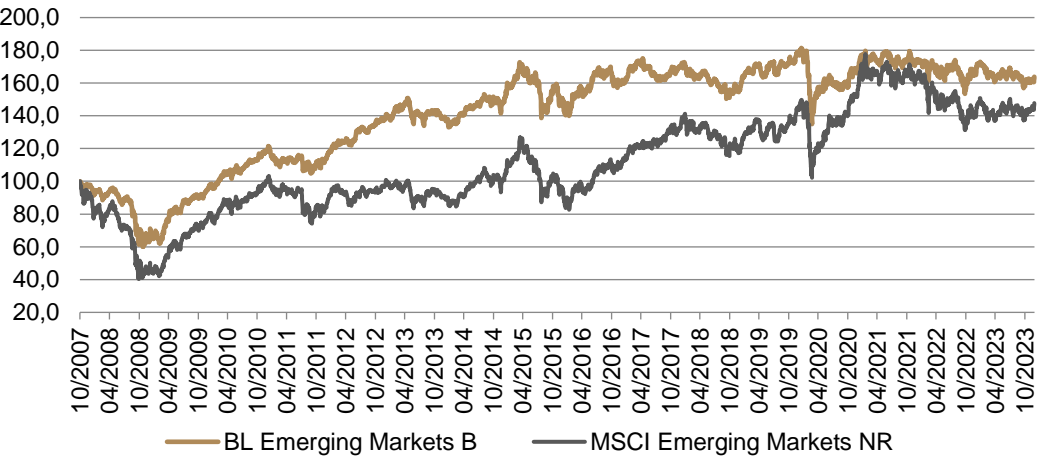
**Fund Manager**  
**Marc Erpelding** is a fund manager at BLI. After a degree in civil engineering at the Swiss Federal Institute of Technology in Zurich (ETH Zurich), Marc worked for a short time in industry in Zurich and New York. After his Master's degree in Management from King's College, London, 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	2023	2022	2021	2020	2019
Fund (B shares)	-0,8%	-4,8%	2,8%	-4,8%	13,7%
MSCI EM NR EUR	6,1%	-14,9%	4,9%	8,5%	20,6%

	1 month	6 months	1 year	3 years	5 years	10 years	Since Launch
Fund (B shares)	1,8%	-0,6%	-0,8%	-2,9%	5,1%	17,9%	63,7%
MSCI EM NR EUR	2,6%	3,4%	6,1%	-5,3%	24,0%	62,2%	47,7%

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

Annualised Volatility	1 year	3 years	5 years	10 years	Since Launch
Fund (B shares)	7,8%	9,9%	11,2%	11,0%	12,4%
MSCI EM NR EUR	11,8%	15,1%	16,2%	16,7%	20,0%

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

29/12/2023

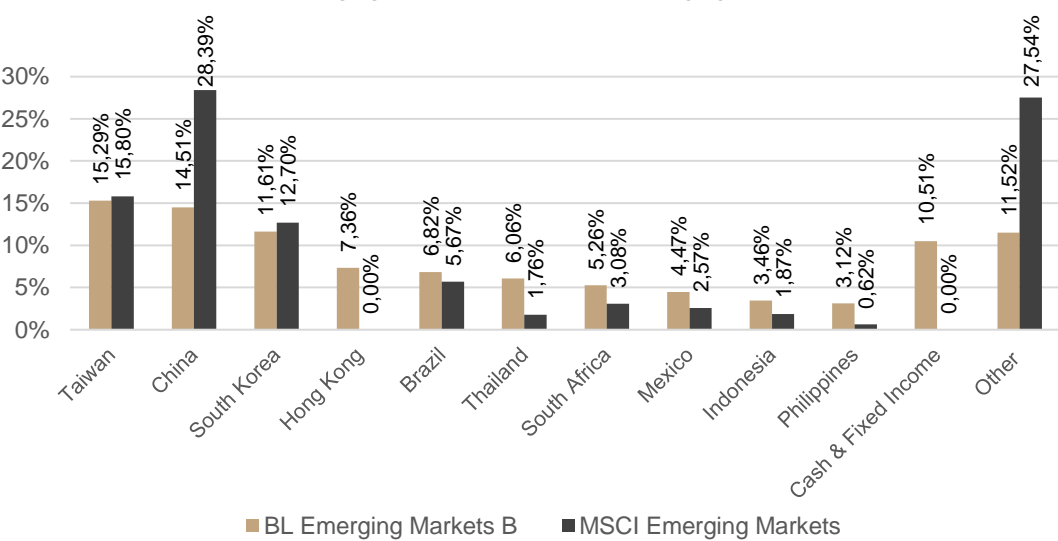
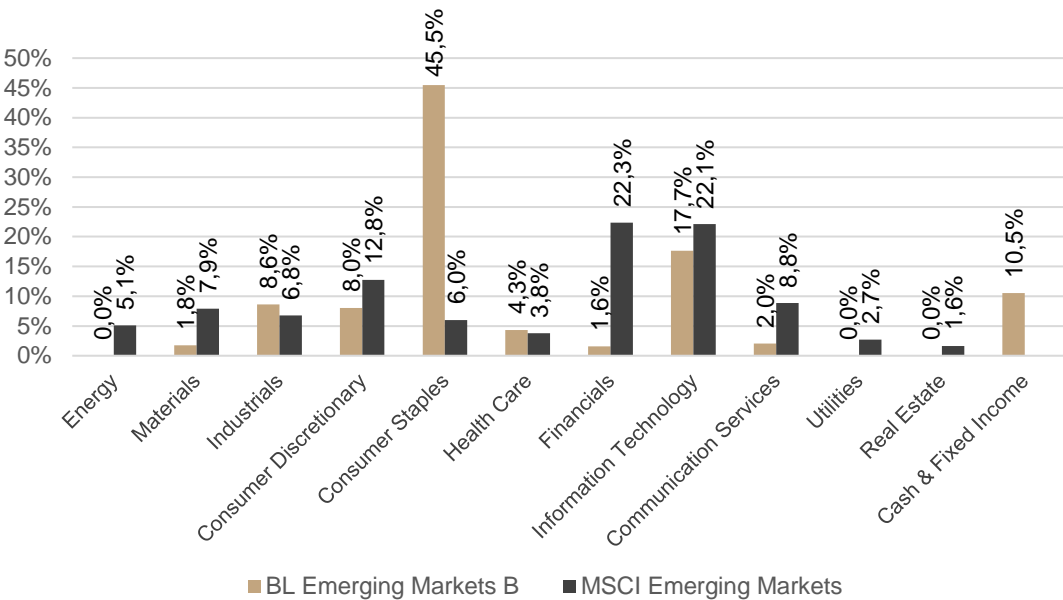
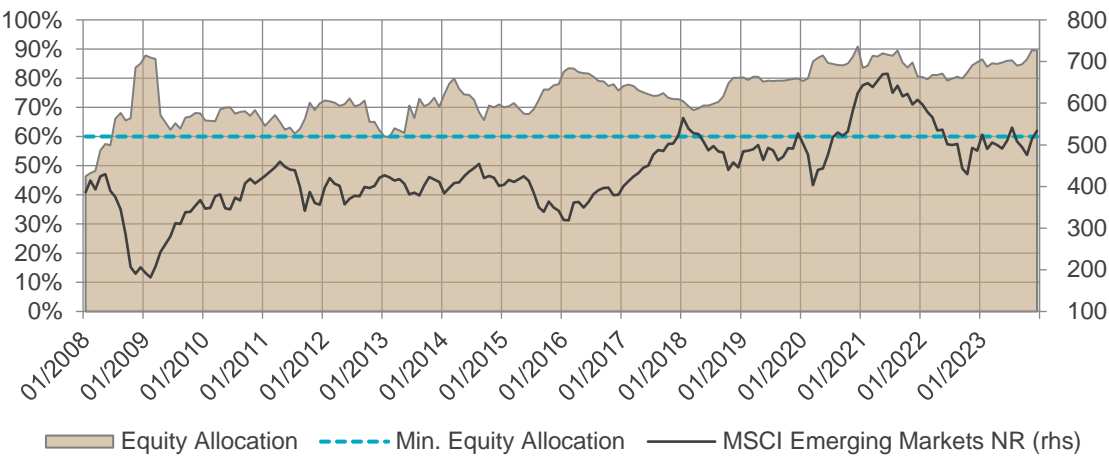
Top Equity Holdings	
TSMC	4,1%
Samsung Electronics	3,9%
Thai Beverage	2,6%
Taiwan Secom	2,6%
Ambev	2,6%
Clicks Group	2,5%
Vietnam Dairy Product	2,5%
Coca Cola Femsa	2,4%
President Chain Store	2,2%
Indofood	2,1%
Weight of Top 10	27,4%
Number of equity holdings	61

Asset Allocation	
EM Equities	89,5%
Cash & Fixed Income	10,5%

Regional Allocation	
Asia ex Japan	70,5%
Latin America	13,7%
EEMEA	5,3%
Cash & Fixed Income	10,5%

New Equity Investments in December	
No new holdings	

Equity Investments sold in December	
Pet Center	



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	BLEMBCI LX

## Management Report

29/12/2023

The emerging markets' equity index, the MSCI Emerging Markets NR, was up by 2.3% (in EUR) during the month of December. The fund (retail class B) was up by 1.8% (in EUR) over the same period.

The sectors that performed best during the month were utilities, information technologies and industrials. The worst sectors during the month were consumer discretionary, healthcare and communication services. The latter sold off as China issued a draft with new regulations in online games, risking to negatively impact the monetization prospects of developers like Tencent or NetEase. On the day of the announcement, Hong Kong-listed shares of Tencent dropped by 12% and those of **NetEase** by 25%.

Overall, 2023 has been a mixed year for emerging markets in absolute performance and a disappointing year when compared with its developed counterparts. In terms of regional performance, Latin America stood out as the best performing region by far whereas Asia ex Japan got dragged by a dismal performance of China, the largest single country in the MSCI Emerging Markets with close to 30%. An ongoing property crisis and weak consumer spending have taken a toll on corporate earnings.

During the month, the fund manager sold the position held in **Pet Center Comercio**, the Brazilian pet products retailer. Although being the largest player, this market is still very fragmented. With a tough macro environment, the company faces increased competition, especially in the more discretionary non-food categories, thereby negatively impacting its growth and profitability outlook.

The equity allocation remained close to 90% as overall valuations for emerging markets companies remain reasonable.

## 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.

## Legal Information

This document is issued by BLI - Banque de Luxembourg Investments ("BLI"). It refers directly or indirectly to one or more financial products (the "Financial Product") and constitutes a marketing communication within the meaning of Regulation (EU) 2019/1156 of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings. Economic and financial information contained in this publication is provided for information purposes only based on information known at the date of publication. This information does not constitute investment advice, an investment recommendation or a solicitation to invest and should not be understood as legal or tax advice. No warranty is given as to the accuracy, reliability, timeliness or completeness of this information.

BLI draws the attention of any recipient of this document on the need to use with the utmost caution all information relating to a Financial Product, in particular that relating to the performance of such Financial Product:

- Where applicable, any scenarios relating to future performance in this document are an estimate of such future performance based on evidence from the past on how the value of this Financial Product varies and/or current market conditions. They are not an exact indicator and what you will get will vary depending on how the market performs and how long you keep the Financial Product.
- Conversely, the past performance of the Financial Product does not predict its future returns.

In general, BLI does not assume any responsibility for the future performance of these Financial Products and will not be liable for any decision that an investor may make based on this information. Interested persons should ensure that they understand all the risks inherent in their investment decisions and should refrain from investing until they have carefully assessed, in collaboration with their own advisors, the suitability of their investments to their specific financial situation, in particular with regard to legal, tax and accounting aspects.

They must, moreover, consider all the characteristics and objectives of the Financial Product, in particular where it refers to sustainability aspects in accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

Subscriptions in a Financial Product are only permitted on the basis of its current prospectus, Key Information Document (KID) and the latest annual or semi-annual report (the "Documents"). The Documents are available free of charge at BLI's registered office at regular business hours. All the Documents, including the sustainability information and the summary of investor's rights, are available on BLI's website at [www.bli.lu](http://www.bli.lu)

Any reproduction of this document is subject to the prior written consent of BLI.

### **Specific Information concerning MSCI Data:**

All MSCI data is provided "as is". Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the result to be obtained by the use thereof) and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

### **Specific Information concerning GICS Data:**

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed to use by Banque de Luxembourg S.A.. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if noticed of the possibility of such damages.

### **Specific Information for Switzerland:**

Legal documentation of the fund may be obtained, free of charge, at the offices of the Swiss representative, CACEIS (Switzerland) S.A., 7-9, Chemin de Précossy, CH-1260 Nyon, Switzerland, in accordance with the provisions of the Swiss Collective Investment Schemes Act of 23 June 2006 ("CISA"). The SICAV has appointed Banque CIC (Suisse) SA, Marktplatz 13, CH-4001 Bâle, Switzerland to act as paying agent for Switzerland. The present document may be distributed to Swiss qualified investors.

### **Specific Information for France:**

The present document may be distributed to French professional investors.