

# Russell Investments Emerging Markets Fund

## Fund facts

### Inception date

30 April 2007

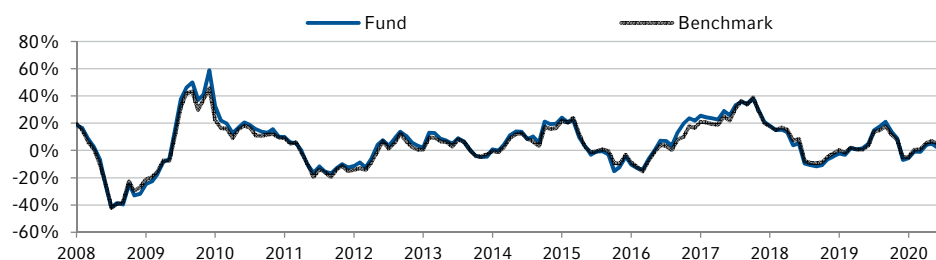
### Benchmark

MSCI Emerging Markets Index - Net

### Currency

NZD

## Rolling 1 year performance history



## Performance review

Period ending 31/10/2020	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Gross fund performance	1.9	2.1	1.8	1.9	8.6	5.3
Benchmark return*	2.1	3.5	5.0	3.3	8.3	4.6
Excess return	-0.2	-1.3	-3.3	-1.4	0.2	0.7

Note: Past performance is not indicative of future performance. Performance data shown is gross of fees, charges or taxes and is not in any way an indicator of the net return to you as an investor. Performance is calculated on exit price.

\* MSCI Emerging Markets Free Index 31/12/2008, MSCI Emerging Markets Net Index until 31/12/2010, Russell Emerging Markets - Net Index until 31/12/2017 and MSCI Emerging Markets Net Index thereafter.

## Fund commentary

The Russell Investments Emerging Markets Fund underperformed the benchmark in October. Contributing to the underperformance was poor stock selection in China; notably underweights to Meituan Dianping and Tencent Holdings. Both stocks recorded strong, double-digit gains in October. Stock selection in South Africa and India also detracted. At the country level, our overweight to Russia was the biggest detractor; the market there falling sharply amid weaker commodity prices, including oil, which lost a further 11.0% over the period. Stock selection within the technology space also weighed on returns; namely our overweights to Chinese names Shenzhen Sunway Communication Co. and Beijing Sinnet Technology Co. In terms of strategic factor performance, the Fund's value exposure detracted from returns as growth stocks continued to outperform, while our momentum bias added value. In contrast, the Fund benefited from an ex-benchmark exposure to Canada; almost all of which was driven by our holding in mining company, First Quantum Minerals. They rallied strongly in the wake of a better-than-expected third-quarter earnings update. Stock selection in Taiwan and South Korea was also positive for the month; the latter including overweights to strong-performing names like Hana Financial Group and Kumho Petrochemical and KB Financial Group. They remain amongst our largest overweight holdings. Other notable positions to contribute positively were an ex-benchmark exposure to Argentina's MercadoLibre and an overweight to China's Guangzhou Automobile Group. Our use of derivatives also added further value. We currently hold long futures positions in China and Taiwan, which are offset by short MSCI Emerging Markets futures.

At the manager level, Neuberger Berman was the worst performer for the month despite what was a favourable market environment for their growth tilt. Much of the manager's underperformance was driven by poor stock selection in China and South Korea. An overweight to Poland, where the share market fell sharply in October, was also a notable detractor. In contrast, RWC Partners outperformed over the period; the manager benefiting largely from their exposure to high momentum names.

Moving forward, we maintain underweight exposures to China, Saudi Arabia, Malaysia and Thailand. We also maintain overweight exposures to Russia, South Korea and Brazil, as well as tilts toward value and momentum factors; which is in line with our strategic preferences. The dispersion between value and growth factors remains greater than the long-term average and has extended further this year. However, we believe maintaining a balanced portfolio with tilts toward both value and momentum factors remains attractive. At the sector level, the Fund is most overweight information technology and materials and most underweight communication services.

## Russell Investments Emerging Markets Fund

### Sector allocation

	Fund	Benchmark
Information Technology	20.3%	18.4%
Consumer Discretionary	19.9%	20.9%
Financials	17.1%	17.2%
Communication Services	12.1%	13.2%
Materials	8.8%	6.8%
Consumer Staples	5.4%	5.9%
Energy	4.4%	5.0%
Industrials	4.2%	4.2%
Health Care	3.9%	4.2%
Real Estate	1.7%	2.3%
Utilities	1.4%	1.9%
Other	0.9%	0.0%

### Geographic exposure

	Fund	Benchmark
China	41.4%	43.2%
South Korea	14.1%	11.9%
Taiwan	12.3%	12.7%
India	8.0%	8.2%
Brazil	4.7%	4.4%
Russia	4.2%	2.7%
South Africa	3.1%	3.5%
Mexico	1.8%	1.6%
Indonesia	1.0%	1.3%
Other	9.3%	10.5%

### Top ten holdings

Security
Alibaba Group Holding Ltd.
Taiwan Semiconductor Manufacturing Co., Ltd.
Tencent Holdings Ltd.
Samsung Electronics Co., Ltd.
JD.com, Inc. Class A
Reliance Industries Ltd.
SK Hynix Inc
China Mobile Ltd.
Ping An Insurance (Group) Co. of China, Ltd. Class H
Sberbank of Russia

# Russell Investments Emerging Markets Fund

## Portfolio structure

Manager	Style	Strategic weight %
Alliance Bernstein	Value	14.0
Axiom International Investors	Quality, Growth	15.0
Neuberger Berman	Growth	15.0
Numeric	Value, momentum	17.0
Oaktree Capital	Market-oriented	15.0
Russell Investments	Positioning Strategy	10.0
RWC Partners	Opportunistic, focus on value & growth	9.0
Somerset Capital	Quality, value mid-cap & frontier	5.0

### Footnotes

All information contained in this document is for the current reporting period unless otherwise stated.

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