



# Templeton Emerging Markets Investment Trust

Global Emerging Markets

## Introduction

Franklin Templeton Investments is one of the world's largest publicly traded investment management companies.

[Click here to read the Franklin Templeton approach to ESG investing.](#)



## Manager - Chetan Sehgal, Andrew Ness

Chetan Sehgal is lead portfolio manager and the Director of Global Emerging Markets / Small Cap Strategies for the Templeton Emerging Markets Group. Prior to joining Franklin Templeton in 1995, Chetan was a senior ratings analyst for the Credit Rating Information Services of India, Ltd. He earned a B.E. Mechanical (Honours) from the University of Bombay and a post-graduate diploma in management from the Indian Institute of Management in Bangalore, where he specialised in finance and business policy and graduated as an institute scholar. Chetan is a Chartered Financial Analyst (CFA) charterholder.

Andrew Ness is a portfolio manager of TEMIT based in Edinburgh. Prior to joining Franklin Templeton in 2018, Andrew was a portfolio manager at Martin Currie. Andrew began his career at Murray Johnstone in 1994 and worked with Deutsche Asset Management in both London and New York before joining Scottish Widows Partnership in 2007.

Andrew holds a B.A. (Hons) in Economics and an MSc in business economics from the University of Strathclyde and is an Associate Member of the UK Society of Investment Professionals and a member of the CFA Institute.

## Trust Objective

The trust seeks long term capital appreciation through investments in companies which are listed in emerging markets or derive a significant amount of their revenue in emerging markets.

## Investment Process

The team organise their research with recognition that global sectors have become more important than the country research approach previously adopted. They aim to understand disruption and the changes that internet and e-commerce models have brought to businesses.

The team define value as looking for sustainable earnings power at a reasonable price and they place a higher emphasis on the stewardship of the business. Analysts specialise in certain sectors, covering both large and small caps and have clear responsibilities. All members of the analyst team focus on the common philosophy of the sustainable earnings power in a business. Meetings take place with company management, competitors and regulatory officials in order to assess the regulatory regime under which businesses operate. Fundamentals are the driving force behind the analysis undertaken. Macro factors are considered but will not drive allocation decisions. The clear emphasis is on stock selection to drive performance over and above that of the benchmark.

The emerging markets team comprises a global network of professionals across all continents of the globe who meet daily using technology, which has now become commonplace. A clear advantage is having local speaking analysts who also understand the culture of businesses in particular countries.

Companies are expected to outperform their peers through sustainable earnings power, which means better margins and consistent returns. The fund has a multi cap approach and looks at companies with a market cap of \$2bn+. The firm is very committed to ESG factors, believing these are a driver of sustainable earnings power in a company. It is up to analysts to identify companies with strong profit potential and businesses that are at a discount to their intrinsic worth, based on a holistic definition of value. Templeton believe that earnings growth has been the principal driver of returns in the emerging market universe. When looking at stocks they use stress testing, and a range of outcomes are considered.

## Gearing

The trust can use gearing up to 10% of the trust's net assets.

## Performance Fees

There are no performance fees.

## Discount Mechanism

There is no formal policy to target a level of discount. TEMIT has a regular share buy back programme and is active in buying back its shares.

## Our View

This strategy has a multi cap approach and does not preclude investing in small cap, although the bias is towards large cap companies. Under the management of Chetan Sehgal and Andrew Ness, the team focus on stocks which trade at a discount to future intrinsic value. The team operates with collaboration and communication and an affirmed shared investment philosophy/style. There is a clear and consistent approach to investment by the team with a common investment identity. Whilst there is a strong valuation philosophy, they do not use a deep value approach which means growth businesses can be included in the portfolio. The fund leverages the huge research resource at Templeton which sees around 2,000 companies a year and uses the local insights brought by the local analyst team.

A longer-term view is taken on stocks and the team do not try and anticipate short-term market direction. There is an emphasis on a number of secular growth themes which include how technology is re-shaping the global economy, the under-penetration of consumer goods and services in the emerging world, and the premiumisation of consumer goods as incomes rise. Improving corporate governance continues be a theme, as the managers believe that those with good governance are often rewarded in their share price.

**How to Use This Trust:** This trust is suitable as a core holding in emerging market equities across investment mandates.

## Key Strengths

### Business

Templeton Emerging Markets Group was founded in 1987. The parent group is one of the largest publicly traded fund management groups.

### Team

The managers have many years investment experience in emerging markets whilst Chetan has previously overseen the successful EM Small Cap Strategy.

### Process

This is a bottom-up stock picking fund looking to leverage the strong research resource in-house at Templeton. Turnover has been low since launch, and active share high in this multi cap mandate.

### Product

The trust’s current philosophy has led to a broadening of the exposure to emerging markets. Performance has added value versus the benchmark index. The focus on stewardship has been rewarded, with continued engagement of founder led businesses. The trust is focusing on technological advancements and the continuing rise of middle-class populations.



### Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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