

The Daily Telegraph

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Fund of the week

'Thinking Covid would only affect China hurt us'

Templeton Emerging Markets manager Chetan Sehgal tells Will Kirkman how he is guarding the fund against continued Covid-19 outbreaks

Emerging markets were shunned last year as the pandemic struck and fears over a slow economic recovery spooked investors.

But the global vaccine rollout may once again pique investors' interest. One fund squarely in this area is the £2.6bn Templeton Emerging Markets investment trust.

It was once run by legendary fund manager Mark Mobius but the current management team of Chetan Sehgal and Andrew Ness took charge three years ago. Since then they have returned 52pc while the MSCI Emerging Markets index is up just 29pc. Despite this, the trust's shares are trading at a discount of 6.8pc to the value of the stocks it holds. Emerging markets, in general, have not captured investors' imagination.

Lead manager Chetan Sehgal tells *Telegraph Money* how he steered the trust through the worst of the pandemic, why he gives companies involved in coal a wide berth, and how he is taking advantage of technology opportunities in emerging markets.

WHO IS THE FUND FOR?

The fund is for both private and professional investors in Britain, and is listed on the London Stock Exchange. We make the case that every investor needs to have a piece of emerging markets in their portfolio and hold it for the medium, to long term. Normally more than five years.

HOW DO YOU PICK STOCKS?

Our mantra is to buy companies with sustainable profits whose share price is lower than the true value of the business.

We follow the "three S's": we look at the structure of teams, their sustainable profits and most importantly: the stewardship of companies.

HOW HAS THE VACCINE ROLLOUT AFFECTED YOUR PORTFOLIO?

We expected the rollout to start in the first quarter of this year. What has surprised us is that it seems like the

IN FOCUS



Chetan Sehgal
Taiwan Semiconductor Manufacturing

Taiwan Semiconductor Manufacturing is our largest holding. There is high demand for the microchips it produces, which has been strengthened by the cryptocurrency boom as they are needed to mine coins. Car and electronics companies also need them, and there has even been talk of a global microchip shortage.

vaccines won't lead to a return to pre-Covid normality this year.

While many countries have already started inoculation, production and distribution of vaccines is a challenge. We expect sporadic viral outbreaks and that Covid will continue to have some impact on our daily lives.

Many emerging markets countries will not be able to achieve full economic recovery even by the end of this year. We've made changes to our portfolio to reflect that.

But most companies have managed the pandemic well. In some areas such as airline travel the drop in demand has been severe, but in other sectors it's not been as bad as one would have envisioned at the onset of the crisis.

WHAT'S BEEN YOUR BEST INVESTMENT?

Naver, a South Korean search engine that was moving into online shopping when we bought it, has done well for us. At the time the shares had been beaten down as investors feared the management was confused and fighting a defensive battle. But it came back strongly and is now one of the two largest online shopping companies in South Korea. The shares have gone up by roughly three or four times since we bought them.

AND YOUR WORST?

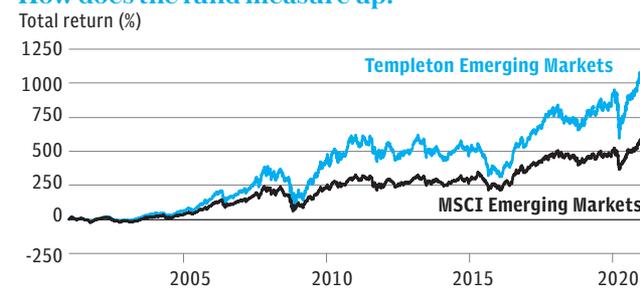
Brilliance Auto Group in China, which was a large holding. BMW was trying to increase its stake in the business and that didn't work out well for minority shareholders like us. In hindsight we should have sold out at a much higher price. We were cutting our holding but held the shares for a long time and were hit by their fall.

Also, going into the initial phase of Covid we thought it was a China-only phenomenon and that it would not spread to the rest of the world. We made some investments in countries that were impacted quite seriously, such as Brazil, whose currency and banks were hit hard. That was something that really hurt us.

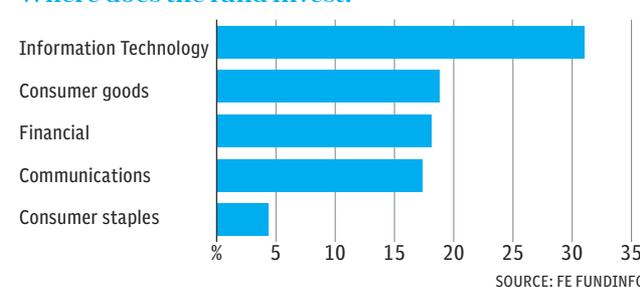
TEMPLETON EMERGING MARKETS



How does the fund measure up?



Where does the fund invest?



Launch date
June 1989

Total return since 2001
1167pc

Total return year to date
7.3pc

Annual charge
0.99pc

Total number of stocks
83

Top 10 holdings (as of 31/01/2021)

1. Taiwan Semiconductor	12pc	6. ICICI Bank	3.3pc
2. Samsung Electronics	11.3pc	7. Naspers	3.2pc
3. Alibaba	9.4pc	8. LG Corp	2.7pc
4. Tencent	9.3pc	9. MediaTek	2.4pc
5. Naver	4.2pc	10. Unilever	2.1pc

ARE THERE ANY SECTORS YOU AVOID?

We are cautious about companies involved in coal because of the growing ethical agenda. That's also why we do not invest much in energy utility companies.

DO YOU HAVE YOUR OWN MONEY INVESTED IN THE TRUST?

No, I don't. I manage a large number of funds which are quite similar to each other. If you invest in one and not

the other that can become an issue.

HOW ARE YOU PAID?

I am paid a salary plus a bonus based on performance.

£12,674

How much £1,000 invested in 2001 is worth

WHAT WOULD YOU HAVE BEEN IF YOU WEREN'T A FUND MANAGER?

This is the only profession I've ever dreamt of doing. I do study history quite a lot though, so maybe it would have been something along those lines.



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