

Fund Review

13th May 2021

The Goldman Sachs Emerging Markets Equity Portfolio is a fund that sits in the emerging market allocation of your portfolios.

The fund is managed by co-portfolio managers, Hiren Dasani and Basak Yavuz, who are also co-heads of the Emerging Markets equity team at Goldman Sachs and as such are experienced investors.

One of the most attractive features of this strategy is its stock selection capabilities. We like that the managers have a strong focus on alpha generation and want this to come from the recommendations of their team of analysts. The analyst team at Goldman Sachs is well-resourced, typically with an average industry experience of some 15 years. The team are based in six different locations around the world, which allows them to have 24/7 research coverage of stocks, sectors and markets, which we see as a good edge to have.

We therefore expect stock selection to be the key driver of performance over the long term, as opposed to sector or country exposure. We also expect the analysts' stock picks to come from across a range of sectors and markets.

As with any actively managed strategy, this fund may go through some periods of underperformance. The managers are willing to tolerate certain biases within the portfolio, and this can work both for or against the fund at times. For example, so far this year their underweight to value-orientated companies has been a detractor in general, as market participants have favoured more cyclical-orientated and recovery stocks. Although the pair look to minimise unintended risks and the fund's volatility by holding a diverse and broad range of stocks across the market cap spectrum with different macroeconomic and thematic drivers, this approach can still lead to greater volatility than the index at times.

Portfolio positioning in the fund is very much driven by the stock opportunities the managers and team of analysts are finding, but this year in general they have been increasing exposure to some value names. At the same time, they have been trimming and selling some of the more growth-oriented stocks in the portfolio which have done well for them last year, but where they now see less upside potential. In general, they have reduced exposure to Brazil and Korea and have added to Russia and China year-to-date. At the sector level, they've reduced their exposure to industrials, finding more opportunities in consumer discretionary stocks and financials.

They are constructive on the outlook for EM equities as they think the domestic growth recovery will be supportive, expecting strong developed market growth to export into and a positive semiconductor/commodity price environment. Additionally, the correction of February and March this year (especially in China) has made valuations look more attractive relative to history and versus developed markets.

Amaya Assan, Head of Fund Origination

Important Information

Our thoughts expressed in this update relate only to the portfolios we manage, or advise on, on behalf of our clients and as such may not be relevant to portfolios managed by other parties.

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