

GemEquity



Sustainable Investors - Emerging Markets Equities

Uncertainty creates opportunities

PERFORMANCE

In September, the MSCI Emerging Markets TR Index declined 1.6% in \$ but is slightly up 0.4% in € over the month. The performance of global indices was contrasted with S&P 500 at -2.1% in €, Stoxx600 at -1.5% and TOPIX at +2.6%. Over the same period, **GemEquity gained 0.6%, outperforming its benchmark index by 22pb.** The "back to school" was marked by a new wave of COVID19 contaminations in several countries. The situation remains under control in China, Korea and Taiwan, while in India and Brazil the first wave has not yet passed. Negotiations on a new fiscal stimulus in the United States keep the markets on hold. And with the approach of the American elections, new restrictions on Chinese companies have been dropped. The TikTok application is subject to be forcibly sold to American companies under threat of a ban; the fate of WeChat on American soil is in the hands of a federal judge, while the sky has darkened over SMIC, China's first semiconductor foundry. For the moment, the company has avoided being blacklisted (unlike Huawei), but American companies must apply for licenses to work with SMIC. Our selection in North Asia and especially in the internet, tech and industrial sectors continues to contribute positively. A good number of our companies benefit from Huawei's misadventure by gaining market shares. Our underweight position in financial and energy sectors is also a winning strategy. However, our Russian and Brazilian selection has made negative contribution.

EURO

	1 Month	YTD	1 Year	3 Years	5 Years	Annualized since inception
I-share	+0.6%	+6.5%	+16.7%	+21.0%	+72.9%	+8.8%
R-share	+0.5%	+5.8%	+15.7%	+17.9%	+65.4%	+7.9%
Index	+0.4%	-5.4%	+2.8%	+8.3%	+46.2%	+4.6%
Category (*)	-0.6%	-7.4%	+0.3%	+3.2%	+33.3%	+3.1%

DOLLAR

	1 Month	YTD	1 Year	3 Years	5 Years	Annualized since inception
I-share	-1.2%	+10.5%	+24.7%	+20.0%	+83.0%	+8.3%
R-share	-1.3%	+9.8%	+23.7%	+16.5%	+73.0%	+7.6%
Index	-1.6%	-1.2%	+10.5%	+7.4%	+53.6%	+4.0%
Category (*)	-2.5%	-3.3%	+7.9%	+2.4%	+40.0%	+2.6%

Outperformance in 2020 : + 11.9% o/w Stock selection : +10.7% and Country allocation : +1.2%

FUND POSITIONING

At 47.6%, our Chinese exposure remained unchanged during the month. **Kingsoft Cloud** (one of the leading cloud providers) and **Ping An Healthcare & Technology** (telemedicine services), two companies benefiting from structural growth, entered the portfolio. On the other hand, we took partial profit on various positions such as **Li Ning, Feihe, Wuxi Bio**. Our position in **Guangzhou Auto** was reduced (from 1.7% to 1%), in anticipation of a slow recovery in its sales. Following the strengthening of **Samsung Electronics** (from 6% to 7%), Korean exposure was increased (from 10.4% to 11.8%). The weight of Indian banking stocks was cut (ICICI Bank from 0.9% to 0%; **HDFC Bank** from 1% to 0.5%) in favor of **Reliance Industries** (from 1.4% to 2%). This conglomerate has successfully achieved its strategic turnaround and is positioned as the first winner of Indian digitalization. Elsewhere in Asia, Taiwanese Giant and Vietnamese Vincom Retail were sold off due to lack of short-term catalysts. As for Russia, we arbitrated part of **Sberbank** (from 1% to 0.5%) and Novatek (from 1.9% to 1.5%) to **Detsky Mir** (kids specialized distribution). Following a strong stock market performance and a sharp rise in valuation, Brazilian company **Totvs** was also subject to profit-taking (from 1% to 0.5%). GemEquity is now invested at 99.7% (72% in sustainable growth stocks and 27.7% in cyclical stocks).

MACRO VIEW

In a risk off movement, the dollar appreciated during the month. **Currencies such as BRL (-5%) and RUB (-4%) were the most affected.** In Brazil, fiscal fragility continues to weigh on the currency and the market. The government extended COVID assistance to the most vulnerable until December (vs. September previously) at a total cost of 4.7% of GDP. This is positive for domestic consumption and especially for our selection in the e-commerce **Magazine Luiza** and **MercadoLibre (2 and 2.4% of the fund respectively)**. However, the question of the financial aspect arises, with country debt climbing to 95% of GDP this year. In Russia, the market has absorbed a series of uncertainties: renewed risks of sanctions with regards to the Belorussia situation, drop in energy prices following the COVID second wave in some countries, negotiations over a change in the tax regime of the raw materials sector and a new conflict between Azerbaijan and Armenia where Russia could intervene. On the other hand, the **CNY remains strong**, up +5% against USD since last May. This reflects the good performance of the Chinese economy. **The PMI of September at 51.5 vs. 51 in August confirms an on-going recovery.** It should be remembered that PBOC has not opened the monetary floodgates like the FED and the ECB. Hence the carry trade remains favorable to the Chinese currency. In India, the economy has been slowly normalizing. The pandemic outcome is not glorious (nb2 after the United States) but people have no choice but returning to work, as there is no government aid. A key land reform has however been passed in parliament. The month was also marked by a revival of the technology names. The price of memory went back up, supporting **SK Hynix (2.5%)** and **Samsung Electronics (7%)**. The latter is also gaining market share on Huawei in smartphones and telecom equipment. 3Q20 will be strong. Overall we remain confident in a gradual economic recovery and a strong rebound of results growth in 2021.



**AUM
\$1,016M**

PERFORMANCE IN €



COUNTRY ALLOCATION

	Fund	Benchmark
China	47.6%	42.3%
Korea	11.8%	11.6%
Taiwan	10.9%	12.6%
India	5.1%	8.4%
ASEAN	2.7%	5.8%
Brazil	5.6%	4.8%
Mexico	0.0%	1.6%
Argentina, Chile, Colombia & Peru	2.9%	1.1%
Russia & CIS	5.9%	2.9%
Eastern Europe & Greece	0.0%	1.2%
Turkey & Middle East	0.0%	4.3%
Africa	1.0%	3.6%
Global Emerging Companies	6.2%	
Cash	0.3%	

SECTOR ALLOCATION

	Fund	Benchmark
Energy	4.2%	5.6%
Basic Materials	2.7%	7.0%
Industrials	5.0%	4.4%
Banks	1.9%	11.8%
Other Financials	7.3%	6.0%
Real Estate	0.0%	2.4%
Technology	23.9%	17.7%
Media & Internet	15.0%	11.0%
Telecom	0.5%	3.5%
Consumer Durables	29.3%	18.3%
Consumer Non-durables	4.0%	6.2%
Healthcare Services	6.0%	4.2%
Utilities	0.0%	2.0%
Cash	0.3%	



ASSET ALLOCATION



REGION	Fund Benchmark	
	Fund	Benchmark
Asia	82.7%	80.6%
Latin America	8.5%	7.4%
EEMEA	6.9%	12.0%
Others	1.6%	
Cash	0.3%	

Median Market Capitalisation (M\$)	39,327
Total number of holdings	55

THEMATIC	Fund Benchmark	
	Fund	Benchmark
Structural Growth	72.0%	57.6%
Cyclicals	27.7%	42.4%

TOP 10 HOLDINGS	Fund Benchmark		
	Fund	Benchmark	
Alibaba	China	9.6%	8.2%
Tencent	China	7.9%	6.3%
Samsung Electronics	Korea	7.0%	4.0%
TSMC	Taiwan	6.0%	5.7%
Ping An Insurance	China	3.0%	1.1%
Techtronic	Global EM Co.	2.7%	0.0%
Sea Ltd.	Korea	2.7%	0.0%
SK Hynix	Asean	2.5%	0.6%
Meituan Dianping	Taiwan	2.5%	1.9%
Mediatek	China	2.5%	0.4%
Total		46.3%	28.2%



MAIN CONVICTIONS (STOCK)

Stock Active Share (Σ of stock overweights - stock by stock) 62,7%

Positive Convictions				Negative Convictions			
		Fund	+/-			Fund	+/-
Samsung Electronics	Korea	7.0%	+3.0%	China Construction Bank	China	0.0%	-1.1%
Techtronic	Global EM Co.	2.7%	+2.7%	China Mobile	China	0.0%	-0.7%
Sea Ltd.	Asean	2.7%	+2.7%	Infosys	India	0.0%	-0.7%
Jiangsu Hengrui	China	2.5%	+2.4%	HDFC	India	0.0%	-0.6%
MercadoLibre	Latin America	2.4%	+2.4%	Vale	Brazil	0.0%	-0.6%

MAIN CONVICTIONS (COUNTRY/SECTOR)

Matrix Active Share (Σ of country/sector overweights) 38,1%

Positive Convictions			Negative Convictions		
	Fund	+/-		Fund	+/-
Korea Technology	10.4%	+5.3%	China Property	0.0%	-1.8%
Global EM Companies Consumer Durables	19.4%	+4.3%	Taiwan Financial Services	0.0%	-1.7%
China Consumer Durables	4.3%	+4.3%	India Technology	0.0%	-1.4%
Latam Consumer Durables (e-commerce)	4.3%	+3.8%	China Financial Services	4.5%	-1.4%
China Healthcare	5.1%	+2.9%	Saudi Arabia Financials	0.0%	-1.2%

PERFORMANCE ATTRIBUTION YTD

Major Contributors				Major Detractors				
Stocks held		Stocks not held		Stocks held		Stocks not held		
Sea Ltd.	ASEAN	2.51	Gazprom	Russia	0.29	Sberbank	Russia	-1.10
Tencent	China	1.25	CCB	China	0.29	Bradesco	Brazil	-1.03
Techtronic	Global EM Co.	1.23	ICBC	China	0.23	SK Hynix	Korea	-0.89
Meituan Dianping	China	1.16	Ambev	Brazil	0.20	IRB Brasil	Brazil	-0.79
China Tourism G	China	1.10	Axis Bank	India	0.20	Guangzhou Auto	China	-0.78
						Nio	China	-0.23
						Xiaomi	China	-0.21
						Naver	Korea	-0.19
						Pinduoduo	China	-0.18
						Top Glove	Malaysia	-0.17

STATISTICS (3 YEARS, €)

GemEquity Volatility :	18.0%	Beta :	1.03
Index Volatility :	16.8%	Alpha annualized :	+3.8%
Tracking Error :	4.46	Information Ratio :	1.56
		Sharpe Ratio :	0.49

VALUATION

2020 PER (X) :	29.2	2020 EPS growth (e) :	17.0%
2021 PER (X) :	25.1	2021 EPS growth (e) :	48.4%
Dividend Yield :	1.3%		

Based on Bloomberg consensus

ESG CONVICTIONS - ISR LABEL

ESG investment is fully integrated into our investment process through a best-in-class approach, in order to reduce the portfolio risk.

Semi-annual ESG Investment report (impact report, carbon footprint, etc...) and Transparency Code are available on request or on the website www.gemway.com.

Early 2020, Gemway Assets obtained French ISR Label for its entire range of funds (o/w GemEquity).



(*) Bloomberg BAII UCITS BONDED EM Index : This index is the average of emerging market equities. GemEquity is UCITS compliant. (**):

Risk-free rate used in the Sharpe ratio: 10 years German Bund. The index is the MSCI Emerging Market Index (dividend reinvested). GemEquity is primarily invested in equities and presents a risk of capital loss. Past performances do not guarantee future performances. This document, intended for professional investors, is not of a contractual nature. It may not be reproduced, distributed or passed on to third parties in whole or in part without the prior written authorisation of Gemway Assets SAS. The purpose of this document, which is commercial in nature, is to inform investors of the fund's characteristics in a simplified way. For more information, please refer to the KIID or consult your usual contact. Management fees are included in the performance. In Switzerland, the Fund has appointed as Swiss Representative Oligo Swiss Fund Services SA, Av. Villamont 17, 1005 Lausanne, Switzerland, Tel: +41 21 311 17 77, email: info@oligofunds.ch. The Fund's paying agent is Banque Cantonale de Genève. In respect of the Shares distributed in or from Switzerland, the place of performance and jurisdiction is Lausanne (Switzerland).

Launch date :

31 July 2012

Legal form :

SICAV under French law
Compartment of GemFunds SICAV.

Benchmark :

MSCI Emerging Markets
(net dividends reinvested)

Quote currencies :

EUR and USD

NAV 30/09/2020:

€202.11 (I)

€187.81 (R)

€108.93 (N)

\$175.71 (I USD)

\$184.84 (R USD)

I-Share ISIN : FR0011274984

R-Share ISIN : FR0011268705

N-Share ISIN : FR0013519931

I USD-Share ISIN : FR0013082666

R USD-Share ISIN : FR0013082658

Contacts :

Michel Audeban : +33 1 86 95 22 98

Pierre Lorre : +33 1 84 25 62 54

Stefano Franchi : +33 7 70 55 38 06

contact@gemway.com

Website :

www.gemway.com

