

Redwheel Next Generation EM Equity Fund

Monthly Commentary – September 2024

Global equity markets rallied strongly in September, propelled by both a half-percentage point reduction in the Fed Funds Rate mid-month and the announcement of a substantial stimulus package by the People's Bank of China at the end of the month. The MSCI Frontier Emerging Markets Index was relatively less affected by these developments, rising 2.3%. The Redwheel Next Generation Emerging Market Equity Fund added 3.8%, outperforming its benchmark by 1.5%.

The largest market in the MSCI Frontier Emerging Index, Philippines, gained 5.6% in expectation of easier monetary policy. Elsewhere in Asia, Vietnam rose a modest 1.9% in September. The Vietnamese finance ministry is expected to remove the requirement for overseas investors to pre-fund equity trades in order to achieve an upgrade from frontier to emerging market status, which would make the market eligible for investment by a larger pool of overseas investors. In Latin America, Peru was up 4.4% as its central bank cut interest rates to the lowest level in Latin America. Many off-index countries also performed well during August. South Africa climbed 7.2% on the back of a 25bps rate cut as inflation has decelerated back to 4.5% while Indonesia rose 1.4% following higher credit growth and a strengthening currency.

Several stocks made strong contributions to the fund's performance in September. PGM miners in South Africa, Impala Platinum and Anglo American Platinum, rose 29.5% and 27.5%, respectively. Both companies have benefitted from an incrementally cautious narrative on near-term BEV demand and downside risk to PGM supply. Cisarua Mountain Dairy of Indonesia climbed 16.8% as the government is expected to target more spending on human development, including healthcare and food. The Indonesian Bank, Syariah, increased 16.0%, benefitting from the higher credit growth seen in Indonesia while the consumer retail store, Aspirasi gained 31.4% from robust same store sales growth.

Food retail was weak during the month. BBB Foods in Mexico and Turkish supermarket operator BIM fell -5.6% and -8.4%, respectively. The former corrected after a strong period of performance while the latter was down on the back of a weaker than expected quarter. However, traffic growth remains robust and BIM continues to gain market share. Oil producers, Tullow Oil, Vista and YPF, dropped 18.8%, 15.3% and 10.5%, respectively, as the price of crude oil fell on fears of over-production and weakening global demand.

Non-oil commodities' producers performed well in September. Both copper and gold continued to climb, spurring gains of 8.4% for First Quantum, 11.7% for Ivanhoe and 13.6% for Oceanagold.

CONTACT US

Please contact us if you have any questions or would like to discuss any of our strategies.

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Source: Redwheel, MSCI, Company Reports, FactSet as at 30 September 2024

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