



## Acadian Asset Management LLC

### Emerging Markets Portfolio

Third Quarter 2020

#### Performance

The Acadian Emerging Markets Portfolio returned +7.2% (net of fees) for the quarter, versus a return of +9.7% for the MSCI Emerging Markets Equity Index (net).<sup>†</sup>

#### Commentary

Emerging markets continued to recover lost ground from the first quarter, outperforming their developed counterparts. The economic recovery within emerging markets has gained momentum; however, the recovery has been, and is expected to be protracted and uneven. The pandemic has exposed deep vulnerabilities and underscored acute macroeconomic policy challenges in many emerging market countries, particularly those with large domestic COVID-19 outbreaks, limited healthcare capacity, and extensive reliance on international trade and tourism. Within EM, Taiwan, Korea, and China drove benchmark contributions while Turkey lagged. From a sector perspective, cyclicals continued to outperform defensive segments in all regions. IT and discretionary stocks led gains. Materials and industrials recovered, while energy and financials continued to struggle.

Against this backdrop, the Acadian Emerging Markets Portfolio underperformed its benchmark\* for the third quarter. Stock selection in countries and sectors detracted from portfolio returns. This was most evident within Chinese and Turkish Financials – China Construction Bank, Industrial and Commercial Bank of China, Bank of China, and Turkiye Garanti Bankasi all posted negative earnings for the quarter and as such, proved costly to active return. Chinese Consumer Discretionary also experienced negative active returns, as Alibaba and Meituan Dianping posted strong quarterly returns and our underweights detracted. Finally, a lack of exposure to Taiwan Semiconductor proved costly as the firm reported strong third quarter results.

Bright spots of positive active return were evident in South Korean Consumer Discretionary stocks, led by positions in Kia Motors and LG, both of which posted strong quarterly earnings results. Taiwanese tech company, United Microelectronics, continued to be a top contributor as the stock soared over the quarter.

The economic recovery in emerging markets remains a product of the timing of the onset of the virus, effectiveness of containment measures, healthcare capacity, dependence on affected sectors, and policy response. Still, investing in emerging markets continues to be a promising area, given historic discounts compared to developed markets, as well as stretched value spreads that should pay off when valuations revert to the mean. We believe our multi-factor approach has positioned the portfolio to manage further volatility and benefit from potential future growth.

<sup>†</sup>Source of index returns: MSCI. Copyright 2020 MSCI.

*Performance data quoted represents past performance. Past performance does not guarantee future results. Annualized performance as of September 30, 2020 is: 5.08% (1 Year); 6.50% (5 Years), and 1.79% (10 Years). The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Total expense ratio for the fund is 1.40%. Shareholders may pay a redemption fee of 2% when they redeem shares held for less than 90 days. For performance data current to the most recent month end, please call 1-866-AAM-6161. The fund's benchmark was changed March 1, 2012 to the MSCI Emerging Markets Index. Prior to that, the benchmark had been the IFC Investable Index.*

*Past performance is no guarantee of future performance and may differ significantly from future performance due to market volatility.*

*The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.*

*Mutual fund investing involves risk including loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. The fund is non-diversified.*

**To determine if this fund is an appropriate investment for you, carefully consider the fund's objectives, risk factors, charges, and expenses before investing. This and other information can be found in the fund's full and summary prospectuses, which can be obtained by calling 1-866-AAM-6161. Please read the prospectus carefully before investing.**

*The Acadian Emerging Markets Portfolio is distributed by SEI Investments Distribution Co, which is not affiliated with Acadian Asset Management LLC.*

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