



## Acadian Asset Management LLC Emerging Markets Portfolio First Quarter 2022

### Performance

The Acadian Emerging Markets Portfolio returned -2.39% (net of fees) for the quarter, relative to a return of -6.97% for the MSCI Emerging Markets Equity Index (net).<sup>†</sup>

### Commentary

Both developed and emerging markets fell in a volatile first quarter. The MSCI Emerging Markets Equity Index (net) fell 6.97%, lagging the MSCI World index which fell 5.15% over the same period. As concerns over new variants of the COVID-19 virus abated, the escalation of the conflict between Russia and Ukraine, as well as central bank tightening, weighed on investor sentiment. With Russia accounting for 19% of the world's natural gas and 11% of oil supplies, energy prices surged across the globe. Emerging markets struggled throughout the quarter with rising inflation, supply chain disruptions, and depreciating currency values. Chinese stocks fell 13.9% over the period driven by the continuation of slowing economic activity and the property industry slump, prompting the central bank to lower lending rates and promise additional stimulus. Russian equities fell amid increased economic sanctions, and major index providers deemed the market un-investible in early March. Turkey and Brazil proved two bright spots in emerging markets over the quarter, with Turkey benefiting from healthy export figures and a resilient economy, while the Brazilian market was boosted by rising commodity prices and foreign inflows.

Against this backdrop, the Acadian Emerging Markets Portfolio outperformed its benchmark<sup>†</sup> by over 4.5% driven predominantly by stock selection, though country allocations also proved additive to performance. Acadian's proprietary bottom-up stock selection model and top-down models all worked well over the quarter. The model saw positive contributions from value, quality, and growth, while exposure to technical characteristics detracted slightly.

Within countries, stock selection was strongest in China and South Korea with overweight positions in Chinese energy companies, Petrochina and China Coal Energy, and an overweight position in South Korean bank, Hana Financial, contributing to outperformance. The portfolio's underweight to Russia and an overweight to Saudi Arabia were also additive to performance relative performance over the period.

At the sector level, the portfolio benefited from strong selection in energy, materials, and consumer staples, while poor selection within financials and information technology marginally detracted. Allocation effects were essentially neutral across sectors for the quarter.

<sup>†</sup>Source of index returns: MSCI. Copyright 2022 MSCI.



## Outlook

Looking ahead, we see several challenges facing the global economy. Inflation has risen to levels not seen in many years. Supply chains remain stressed. Energy prices, which had already been rebounding from pandemic-era lows, have surged in the wake of Russia's invasion of Ukraine, and certain commodities – particularly energy and food – are, or soon may be, under significant strain from the war. COVID-19 remains in the news, with a new BA.2 variant prompting another wave of infections. These challenges arise in the context of a global economy that was, in many regions, continuing to recover from pandemic-related pressures. So far at least, the evidence suggests further expansion, albeit at a moderating pace, and amid increasing speculation about recession risk.

Whereas developed markets are mostly embarking on – or at least contemplating – tightening programs, China is increasing its stimulus in an attempt to spur flagging growth at a time of weak consumption. Additionally, China has been implementing lockdowns from Covid outbreaks that will materially affect growth, depending on the region and length of the lockdown.

Within EM, commodity-exporting countries such as Brazil that are otherwise insulated from the Ukraine war should reap advantages of higher prices. Russia has begun selling discounted oil to China and India. Countries in the region near Ukraine could suffer significant disruption in logistics, supply chain, and trading arrangements, along with a heavy flow of refugees from the war. Africa and the Middle East, which are reliant upon imports of wheat from Russia and Ukraine (the world's largest and fifth-largest exporters, respectively), may face shortages of food, prompting warnings from the UN of famine, migration, and unrest.

Acadian's Emerging Markets strategy is navigating the current market environment quite well. The breadth of Acadian's stock-selection models has continued to result in robust bottom-up stock selection alpha while successfully incorporating and navigating macro risks. We are continuing to closely monitor related developments in Russia, including any additional sanctions.



*Performance data quoted represents past performance. Past performance does not guarantee future results. Annualized performance as of March 31, 2022 is: -1.99% (1 Year); 5.91% (5 Years), and 3.79% (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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