

# GUARDIAN EMERGING MARKETS EQUITY FUND Q4 2023 COMMENTARY

## Market Review

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The fourth quarter saw Emerging Market equities bounce back after what has been a tough year for performance. During Q4, the Guardian Emerging Markets Equity Fund (the “Fund”) returned +2.7%, while the MSCI Emerging Markets Index (the “Index”) returned +5.2% (+7.9% in US dollars). For the full year the Fund has returned +2.5%, against an Index return of +6.9% (+9.8% in US dollars). Since inception the Fund has registered annualized returns of +4.9%, against an Index annualised return of +4.7%.

By region, Latin American was the strongest performer during the quarter, returning +14.6%, with EMEA equities (+5.7%) and Emerging Asian equities (+4.1%) somewhat behind. It was a similar pattern over the year as a whole, with Latin America equities the stand-out, up +29.5%, somewhat ahead of both EMEA (+5.6%) and Emerging Asia (+5.2%).

In terms of performance by sector, the strongest performers were Information Technology (+14.9%), Utilities (+10.0%) and Financials (+5.6%). Three sectors had negative performance for the quarter. These were Real Estate (-2.7%), Communication Services (-2.5%) and Consumer Discretionary (-1.7%). Over the twelve-month period, Information Technology (+29.2%) and Energy (+23.8%) were the stand-out strong performers. At the other end of the spectrum, Real Estate (-9.3%), Consumer Discretionary (-5.7%) and Health Care (-3.7%) were the weakest performers.

## Performance Attribution

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Positive contributors to the performance of the Fund included Latin American ecommerce company, **MercadoLibre**, whose shares gained as it reported an acceleration in revenue growth and an expansion in operating margin at its most recent results. Semiconductor manufacturers **TSMC** and **Samsung** were also positive contributors for the quarter, helped by a more benign global inflationary outlook and a corresponding reduction in interest rate expectations for 2024. **TSMC** also raised revenue guidance for Q4 after seeing strong growth in demand for their newest and most advanced technology.

In terms of performance detractors, shares in both **Yum China** and **Becle** came under pressure as the companies reported quarterly results that were below expectations. In addition, **Yum China's** outlook for the remainder of 2023 was cautious. Biologics firm **Wuxi Biologics** was also a negative contributor as the company highlighted expectations for a more challenging operating environment through the first half of 2024.

## Fund Activity and Positioning

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Three disposals were made during the quarter. Holdings in Chinese corporates **Longi Green Energy** and **Wuxi Biologics** were disposed of because negative changes in industry dynamics meant that the companies no longer met the minimum required return thresholds for the portfolio. The position in South Korean gaming company **NCSoft** was sold after heightened domestic competition and muted international traction limited expected future growth opportunities for the business.

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