



Quoniam MinRisk EM Strategy

Participate in the opportunities of the emerging markets with reduced risk

Quoniam MinRisk emerging markets strategy

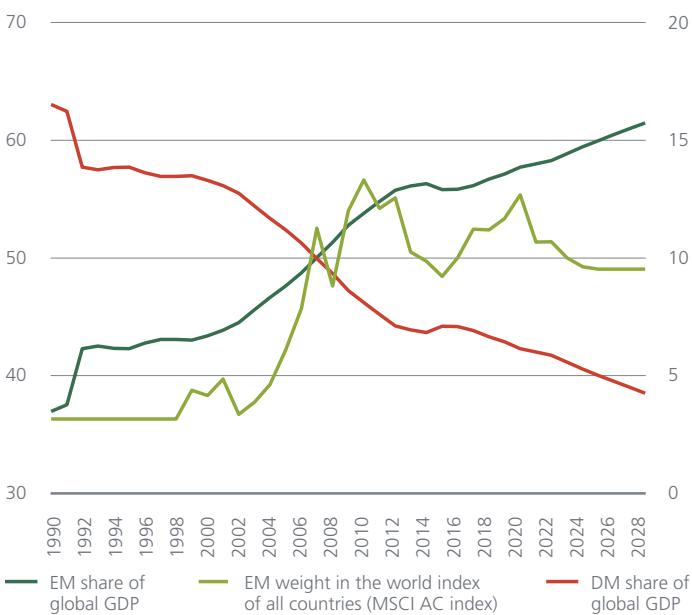
Investments in emerging markets (EM) are promising in the long term, but often volatile. The broadly diversified Quoniam MinRisk EM strategy offers investors a low-risk approach to emerging market investment opportunities that has proven to be strong relative to the index and peer group over the long term.

Many European investors are still mainly or exclusively invested locally in the major developed markets. However, not having exposure to emerging markets can be a missed opportunity for several reasons.

First, emerging markets have benefited greatly from globalisation in recent decades. Per capita incomes have risen with the expansion. On the other hand, positive demographic factors in most emerging markets point to their growing importance.

As a result, the share of emerging markets in global GDP is growing steadily. It is currently around 60% and rising. At the same time, the weight of emerging markets in the MSCI All Country World Index has only risen from under 5% to just over 10%. In the long run, this increase should be reflected in equity valuations.

The emerging markets' share of global GDP is rising steadily



Source: International Monetary Fund, Quoniam Asset Management GmbH, as of July 2024

The IBES earnings growth forecast also highlights the current attractiveness of investing in emerging markets. While the figure for the period 2018–2023 has been well below that of developed markets in recent years, earnings growth in emerging markets is forecast to match or exceed that of developed markets in the near future. According to IBES calculations, earnings growth will be around 16% per annum until 2025, significantly above the expectation for the US. The IBES figure for Europe is considerably lower at 8%.

While developed markets have now reached very ambitious valuation levels, emerging markets are still very cheap relative to past and estimated earnings, as the Shiller P/E ratio shows.

Historically favourable valuations



Source: Datastream, IBES; as of June 2024

However, investors should be aware that investing in emerging markets can still be risky. Emerging markets are often characterised by political instability and have higher levels of inflation and currency volatility than developed markets. Share price volatility is generally higher than in developed markets.

This means: A risk mitigation approach is extremely important to benefit from an EM market environment with above-average risk.

The Quoniam solution

The main objective of the Quoniam MinRisk EM strategy, which was launched in 2010, is to reduce risk in terms of absolute risk, i.e. volatility. Therefore, not only the deviation relative to the market-capitalised benchmark is controlled, but also the absolute loss of an investment. This means that in the event of a stock market correction, risk reduction is the focus of risk management.

The MinRisk portfolio explained:

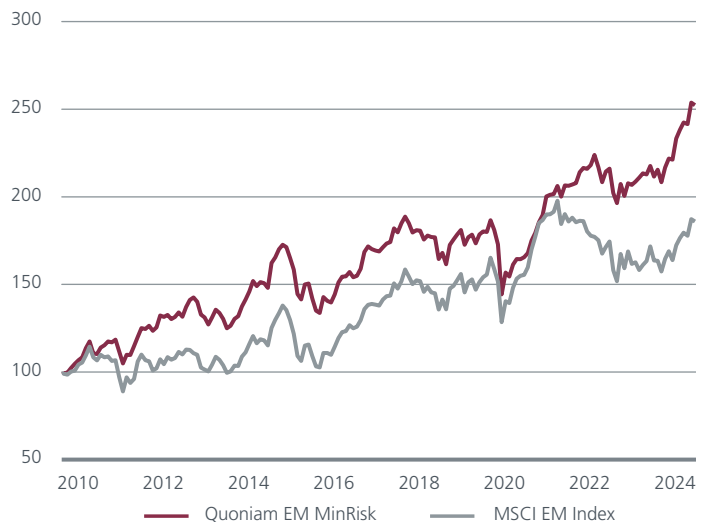
The investment process is systematic and data-driven. In principle, a defensive portfolio (MinRisk) is constructed irrespective of market capitalisation. Priority is given to stocks with favourable valuations, high quality and attractive sentiment.

The investment universe of the Quoniam strategy is significantly larger than the benchmark. While the MSCI EM index currently contains around 1,400 stocks, we analyse more than 3,000 emerging market companies for the MinRisk portfolio.

On average, the portfolio contains between 250 and 350 stocks. High concentration risks (e.g. in one industry) are avoided. For example, only 12 % of the portfolio is invested in large-cap technology stocks (versus 19 % in the MSCI EM), and only 14 % in the top 10 stocks of the benchmark (versus 25 % in the MSCI EM) The focus is more on local companies in emerging markets.

The result is an asymmetric risk-return profile for the Quoniam fund relative to the overall market. Over the long term, this gives the fund clear advantages over the index.

The track record



Source: Quoniam Asset Management GmbH
Portfolio: Quoniam SICAV Emerging Markets MinRisk Portfolio
Index: MSCI Emerging Markets Index, Performance since inception in May 2010, monthly cumulative returns until July 2024, in EUR.

The strategy has significantly outperformed the benchmark over various time periods (1 year, 3 years, 5 years, since inception) and is currently rated four stars by Morningstar.

The strategy shows its strengths in sideways and downward phases. However, the MinRisk strategy offers added value during crises or market corrections.

A risk mitigation approach is extremely important to benefit from an EM market environment with above-average risk.

Conclusion

Attractive valuation: Emerging markets are currently attractively valued, are growing in economic importance over the long term and continue to offer diversification benefits.

Increased diversification: The diversified portfolio significantly reduces concentration risks compared to the index, offers a reduction in downside and allows investments in companies that participate in local growth.

Experienced management: Quoniam has 25 years of experience in managing systematic equity portfolios and has been managing emerging markets mandates since 2010.

Risk-reduced approach: For many investors, a risk-reduced investment approach, such as the Quoniam EM MinRisk strategy, may be an attractive entry point.

Strong track record: Since inception, the strategy has generated solid absolute returns due to its defensive risk positioning and has outperformed its benchmark and peer group over 3 years (first quantile, source: eVestment).

Contact

Quoniam Asset Management GmbH
Westhafen Tower · Westhafenplatz 1
60327 Frankfurt am Main

T +49 69 74 384 0
www.quoniam.com
info@quoniam.com



Author

Mark Frielinghaus, CFA
Portfolio Manager Equities

Disclaimer

The use of investment services as well as investments in financial instruments are conjoint with risks. For more information and guidance on opportunities and risks, please visit www.quoniam.com/riskstatement

This document was produced by Quoniam Asset Management GmbH (hereafter 'Quoniam') using reasonable care and to the best of our knowledge and belief. It is provided for information purposes only and is for the exclusive use of the recipient. The opinions, appraisals and information expressed in this document are those of Quoniam or derived from publicly available sources at the time of writing and are subject to change at any time without notice. However, Quoniam provides no guarantee with regard to its content, completeness and topicality.

This document is expressly not intended for use by retail clients within the meaning of article 4 (1) (11) of Directive 2014/65/EU (MiFID II). Excluding documents compiled for investment committee meetings or those compiled in order to fulfil contractual obligations (e.g. reporting), this document qualifies as marketing material that has been published for advertising purposes only. We hereby expressly note, that the information provided do not constitute a statement of assets in accordance with applicable investment law. Consequently, we advise the recipient to turn themselves to the respective investment company.

For more detailed information, in particular a description of the mentioned funds' risks and rewards, please refer to the prospectus, the key investor information document and the most recently published annual and semi-annual report. These publications are available upon request and free of charge from the German payment and information agents, DZ BANK AG (Frankfurt/Main). The aforementioned documents constitute the sole binding basis for the purchase of fund units.

The information contained herein does not consider any personal and financial circumstances of the recipient. Therefore it does not constitute an offer or a recommendation to buy or sell financial instruments or banking services. Neither historical nor future

performance simulations and financial market scenarios are a guarantee for current or future performance. We advise the recipient to seek investment advice in order to ensure that information provided is in line with their own circumstances.

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, it is not subject to any prohibition on dealings ahead of the dissemination of investment research. As a consequence information and opinions herein must not be read as independent investment research.

This document shall not be reproduced or passed on to third parties either in part or in full without the written permission of Quoniam.

Quoniam is authorised and supervised by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and is subject to limited regulation by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available upon request.

Quoniam processes your personal data including name, gender, postal address, e-mail address, phone number and job title within our business correspondence based on article 6 paragraph 1 lit. b) and f) GDPR. Controller in terms of article 4 number 7 GDPR is Quoniam Asset Management GmbH, Westhafenplatz 1, 60327 Frankfurt am Main. For further information please read the data privacy section in our legal notices. You do not want to receive further information from Quoniam? Please send an e-Mail to dataprotection@quoniam.com

2024 © Quoniam Asset Management GmbH. All rights reserved.