

Opportunities in... Emerging Market Equities

Why emerging market equities?

Emerging markets are fast becoming the driver of global growth – greater than 50% of total global GDP at this point – while 84% of the world’s population lives in developing market countries.¹ This underpins the most exciting theme in emerging markets – the rise of the middle class and its evolving consumer pattern, from tourism to the pioneering of new products and services.

In addition, structural reforms and improved regulation can be transformational to unlock growth. Whether the continuation of the reform minded government in India or in Indonesia where the reform minded government, under Jokowi, recently secured a second term.

Furthermore, emerging markets are breaking away from their dependence on the developed world, given heightened domestic demand, which increases resilience to external forces. The development of local debt markets, the stabilisation of the interest rate differential between the US and emerging economies and the dated concept of the “Fragile Five”, are all factors that point to the improved health of emerging markets.

With many investors under-allocated to emerging markets, the diversification benefits to clients as well as exposure to this rapidly improving asset class provides a compelling investment case.

Our approach to risk

The key risk we face is the US-China trade war, with extended trade negotiations likely to cause uncertainty in markets. We anticipate both positive and negative surprises, given the intermingling of issues such as deficit reduction, market access, intellectual property protection and industrial policy.

In China, the government’s focus has shifted towards selective stimulus to stabilise the economy. We believe real activity growth will remain under pressure, with headwinds related to exports.

Emerging market equities have been supported by the US Federal Reserve’s dovish stance following recent rate cuts, which should limit further US dollar strength, a headwind for emerging markets.

Reasons to invest

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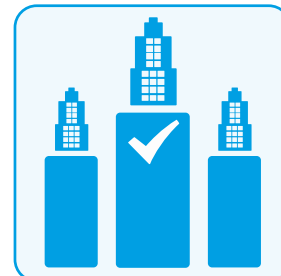
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¹ Source: International Monetary Fund, as at October 2019.

Why consider the Threadneedle Global Emerging Markets Equity Fund?

Identifying 'stewards of capital'

- We seek to identify companies that can sustain and accelerate profitable growth, with a focus on return on invested capital. We believe these 'stewards of capital' are best positioned to realise the immense growth potential created by the under-penetration of many emerging market industries.



A disciplined investment process

- Our structured process sets out to ensure the repeatability of performance. It is built around the premise of 'no unintended bets', creating upside/downside price targets on all stocks within our investment universe and, by covering stocks we don't own, gives us a better perspective of those we do and the overall universe. We use quantitative and Environmental, Social and Governance (ESG) screens to supplement fundamental research, while there is a disciplined sell rule to correct for behavioural biases and to limit the downside.



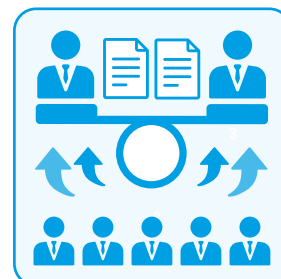
Driven by high-quality research

- Bottom-up fundamental research is the main driver behind the investment process. We incorporate top-down macro analysis to ascertain the impact of country and sector dynamics at a company level. This provides an understanding of the potential success for these bottom-up stories, creating high conviction for stocks held within the portfolio.



Stability and experience of the team

- Our specialist EM investors have over 20 years' average investment experience, with no departures from the team since inception in 2008. This stability underpins the investment approach, which has produced consistent alpha generation across sectors, demonstrating the team's strong research capabilities.²



True all-cap strategy

- A proven ability to generate alpha across the market cap scale, with a considerable amount of additional alpha generated in the lowest cap. This would make the fund an ideal potential investment when either complementing or as a primary emerging market exposure.



Please refer to the Fund KIID for the objective and policy of this fund.

² Source: Columbia Threadneedle Investments, as at 30 June 2020. Past performance is not a guide to future returns.

About the portfolio manager



Dara White has over 20 years of investment experience and has managed the Threadneedle Global Emerging Markets Equity Fund since July 2019.

“ Particularly in emerging markets, the market tends to fade the growth of well-run businesses too quickly and it’s this inefficiency that we have consistently looked to exploit. We favour ‘stewards of capital’ – companies that can sustain and accelerate profitable growth with an emphasis on returns. We combine this with our premise of ‘no unintended bets’ to create both upside and downside targets with the aim of delivering attractive, consistent long-term returns for our investors. ”

Key risks

Past performance is not a guide to future returns and the fund may not achieve its investment objective. Your capital is at risk. The value of investments can fall as well as rise and investors might not get back the sum originally invested. Where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments. The fund invests in markets where economic and regulatory risk can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment. The fund holds assets which could prove difficult to sell. The fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities. The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions. The fund typically carries a risk of high volatility due to its portfolio composition or the portfolio management techniques used. This means that the fund’s value is likely to fall and rise more frequently and this could be more pronounced than with other funds. The Fund may invest through the China-Hong Kong Stock Connect programmes which have significant operational constraints including quota limits and are subject to regulatory change and increased counterparty risk. All the risks currently identified as being applicable to the Fund are set out in the “Risk Factors” section of the Prospectus. Please read the Key Investor Information Document and the Fund Prospectus if considering investing.

To find out more visit columbiathreadneedle.co.uk



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The above documents are available in English, French, German, Portuguese, Italian, Spanish and Dutch (no Dutch Prospectus), Swedish (for the Key Investor Information Document only) and can be obtained free of charge on request from: Columbia Threadneedle Investments PO Box 10033, Chelmsford, Essex CM99 2AL; in Austria: Raiffeisen Zentralbank Österreich AG, Am Stadtpark 9, 1030 Vienna; in Belgium: CACEIS Belgium S.A., avenue du Port 86 C b 320, 1000 Brussels; in France: BNP Paribas Securities Services, Les Grands Moulins de Pantin, 9 rue du Débarcadère, 93500 Pantin; in Germany: JP Morgan AG, Junghofstr. 14, 60311 Frankfurt; in Ireland: J.P. Morgan Bank Administration Services (Ireland) Limited, J.P. Morgan House International Financial Services Centre, Dublin 1; in Italy: any appointed distributor listed on columbiathreadneedle.it; in Luxembourg: State Street Bank Luxembourg S.A., 49 Avenue J. F. 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