Oriflex BP Regeling
Oriflex Emerging Markets
Stichting Pensioenfonds Atos Origin

Eerste Kwartaal 2025

BLACKROCK

Performance Overview:

The fund outperformed its benchmark, the MSCI Emerging Market Index, over the quarter.

MSCI EM gained+3.0% in 1Q25, outperforming DM (-1.7%) by 4.7%, marking the first time since 2017 that EM beat DM in 1Q.

Latam (+12.8%) was the best performing region, driven largely by Brazil while the whole of the region experienced a bounce back led by strengthening FX and positive signs of pension reform in Chile. EM Asia (+1.9%) had a very wide dispersion, with China leading following Deepseek enthusiasm especially in H shares while Taiwan was at the opposite end of concerns on weakening AI sentiment and compute capex. ASEAN was noticably weaker with Indonesia (-10.7%) suffering as a result on confused interest rate signalling and outflows from the bond market. EEMEA (+8.1%) had a solid quarter as Emerging Europe has been a significant beneficiary of policy shifts emanating from Germany/the EU which have resulted in GDP upgrades in the region & a resurgent EUR. Turkey was the only laggard (-8.8%) on political turmoil and FX pressures following the arrest of the opposition leader.

Drivers of Performance:

- The Fund was able to take advantage of the significant market volatility in 1Q, with both long and short books generating positive alpha. The correction in US markets and trade policy uncertainty and its impact on growth were consistent themes over the quarter resulting in similar contributors and detractors over the period.
- Performance was very well diversified with 12 markets and 8 sectors posting positive relative returns. Brazil, Thailand, and Taiwan were the dominant drivers of outperformance, as was a collection of EM through DM-listed exposures. China selection was among the primary detractors. Being net short Argentina, as well as off-benchmark exposure in Ukraine and Israel also weighed on the portfolio.
- At the sector level, IT, financials, and industrials were the largest contributors, whilst materials, healthcare, and energy lagged.
- A short DM-listed EV position was the largest contributor amid investor concerns regarding the company's brand, tariff impact, and growing fears of global recession.
- A short Thai electrical component manufacturer position continued to do well for the portfolio. Early in the period, the stock pulled back on speculation of a potential cap being applied in local indices, whilst investor sentiment surrounding AI hardware spending following January's Deepseek news remains weak.
- Brazilian furniture and home appliance retailer Casas Bahia, experienced very strong price momentum in March month making it one of the largest quarterly contributors amid a significant short squeeze. We initially bought the stock on a view that rate cuts would support a turnaround story, resulting in improved cash flow generation. However a shift in policy direction last year delayed that thesis. We have since exited the name following outsized performance, given balance sheet weakness in the current high rate environment.
- Chinese developer Sunac, was a large detractor, as Chinese beta sold off and the sector had lackluster results. We continue to hold the view that there is asymmetric risk/reward here, especially if a major debt reduction deal is reached, similar to Country Garden. We marginally topped up on weakness.
- IT services name, Epam, was also amongst the period's worst performing positions. IT services companies have been under pressure as US growth expectations came in. The stock sold off sharply following weaker than expected forecasted EPS and revenue growth for Q1 2025.
- Ferrexpo, a Ukrainian iron ore pellet producer, was the period's worst performer as greater uncertainty surrounding a Russia/Ukraine peace deal and continued regulatory interference put pressure on the stock.

Omvang fonds

Waarde begin van de periode	€ 1,258,783
Waarde eind van de periode	€ 1,217,795

Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	-1.80%	10.52%	1.77%	7.80%	4.74%
Benchmark	-1.14%	14.67%	1.97%	5.74%	3.57%

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Changes:

- Gross exposure sits at 156.6%, net exposure is 100.60%. Beta is 1.08.
- We significantly reduced gross exposure in the portfolio starting in February happy to take profits on both sides of the book across region. This continued in March with more pronounced derisking in the face of increasing geopolitical uncertainty.
- Risk was brought down relatively equally on both sides however we took advantage of the sharp US pullback to cover a selection of DM-listed names with the intent of adding back to those positions on a rebound.
- We reduced gross in China, but due to a higher degree of long book trims vs short book covering, our active exposure moved up at the margin in March. We reduced exposure across a collection of Chinese longs across sector such as Alibaba, Top Sports, and Sunny Optical. Similarly, we exited Prudential on strong 12mo returns as a China proxy. We are likely to reallocate risk back into domestic China exposure on any meaningful weakness.
- We reversed our position in Turkey following market turmoil stemming from the arrest of the Istanbul Mayor in mid-March. Despite the Lira selling off, channel checks indicate no change to the anticipated rate cutting cycle, whilst social unrest has net led to a run on the currency by local investors. Confidence that the initial market response was overdone, led to our moving from a net short to net long position.
- Materials exposure came down as we exited miner Franco Nevada after a very strong run that saw outperformance of peers and the EM index itself over our holding period.
- Elsewhere, we rotated exposure in IT services names, exiting Cognizant on a strong run, recycling that risk into Globant.

Key Positioning:

- The fund is most overweight China, UAE, and Brazil, whilst being underweight India, Taiwan, Saudi Arabia, and net short Argentina and Turkey.
- At the sector level we are overweight industrials, real estate and consumer staples, while being underweight consumer discretionary and financials.

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