Emerging Manager Monthly

MayTech Rides Digital Trend To Strong 2020 Performance

AUGUST 5, 2020

While much of the focus since March has centered on how U.S. markets are handling COVID-19 and how federal and state leaders are addressing public health, the virus is a global pandemic that has left global equity and non-U.S. equity managers navigating uncharted territory.

And while equity markets across the globe rallied in the second quarter, understanding what lies ahead continues to be a quandary for allocators.

The MSCI ACWI Index returned 19.2% in the second quarter, with the ACWI ex-U.S. Index returning 16.1% and the MSCI Emerging Markets Index posting an 18.1% return.

While those figures trailed the 20.5% return seen in the Standard & Poor's 500 Index, the potential for future gains resonates in international markets, according to data from investment consultant Marquette Associates.

The firm looked at the average draw-downs of bear markets peak to trough in the EAFE and emerging markets sectors and found that the EAFE markets average a one-year post bear market return of 40.7% and a two-year post bear market return of 66.3%, while emerging markets offer even more attractive average returns of 77.4% and 92.8%, respectively.

Despite the historical potential, the firm has a cautious outlook on non-U.S. markets.

"Given the uncertainty and increased cloudiness around the current economic recovery coupled with the strong equity returns that we continue to see, I think it is fair to have a cautious outlook on equity returns of the second half of 2020," said David Hernandez, senior research analyst for non-U.S. equities at Marquette, during the review.

In reviewing manager performance, 62 global equity strategies screened through the PSN Informa database showed an average return of 19.26% for the second quarter, with 14 of the 62 strategies posting positive year-to-date returns through June 30. Among 77 international equity strategies reviewed, the average second quarter return was 17.7%, with just five managers having positive year-to-date performance.

Global equity also saw the strongest individual manager performance, with Blackcrane Capital's global equity strategy returning 47.58% in the second quarter, a recovery that left the firm with a 15.13% return in the first half of the year.

MayTech Global Investments had the second highest returns among global equity managers in the second quarter at 40.1% and now has the highest returns among global equity managers half way through the year at 30.65%. The firm through July has a gross return of 45.11%.

MayTech Co-Founders Nels Wangensteen and Ingrid Yin credited the strong performance to the firm's focus on technological changes, which has been bolstered by the worldwide move to digital services.

"We outperformed in this market because we are well positioned to take advantage of the secular growth of the digitalization of the economy," Yin said.

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Wangensteen said the coronavirus has led to an acceleration of secular trends that were already under way.

"This is both good and bad. On the good side you see accelerated adoption of a lot of the new services and a lot of the digitalization of the economy. And on the negative side, you see the acceleration of the problems of businesses that were already in long term secular decline, such as brick and mortar retail and maybe even energy," Wangensteen said.

He also said the firm benefited from its coverage of China, which allowed the investment team to have early insights into the impact of COVID-19 on the economy and how the government responded.

"We also saw the massive liquidity that China injected into their economy and it really was supportive of equity valuations. I think a lesson everyone learned even from the financial crisis was the importance of governments acting quickly with financial support, both monetary and fiscal support, which we saw globally, was very encouraging," Wangensteen said.

One area moving forward for investors to keep an eye on is how the virus impacts corporations and how countries do business.

"I think this is going to cause a rethinking of concentration of supply chains," Wangensteen said. "I don't think that means repatriation of manufacturing necessarily, but it means more diversified distribution and less concentration of the supply chain."

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