

Mondrian Emerging Markets Small Cap Equity Quarterly Update

Emerging Markets Small Cap at a Glance

- Total Product Assets: \$618 million
- Composite Inception: November 2011
- Benchmark: MSCI Emerging Markets Small Cap Index
- Maximum Market Cap at Inception: Approximately \$1.75 billion
- Weighted Average Market Cap: Approximately \$1.7 billion
- Active value-oriented defensive strategy
- Consistent application of income-oriented valuation approach
- Universe: Approximately 2,000 companies
- Number of Stocks: 70-150

Our Organization

- Founded in 1990, with 30 years of stable, consistent leadership
- Firmwide Assets: Over \$49 billion
- Mondrian is employee-owned; approximately half are partners today
- Consistent, income-oriented value discipline has been applied to all products since the firm's inception
- Highly experienced team of 56 investment professionals in London

Why Emerging Markets Small Cap?

- Focus on domestic structural and economic growth trends
- Inefficient asset class
 - Large universe of under-researched companies
- Low correlation
 - Diversification benefits to global portfolios
- Risk
 - A well-diversified portfolio of emerging markets small cap companies is no riskier than a diversified emerging markets mid/large cap portfolio

An allocation to Emerging Markets Small Cap provides potential for higher alpha generation and improved diversification without significant increase in risk level.

The opinions expressed above are Mondrian's views based on proprietary research.

See Important Notes & Disclosures on page 4.

Philosophy

We invest in stocks where rigorous dividend discount analysis isolates value in terms of the long-term flow of dividends. Dividend yield and future real growth play a central role in our decision making process and over time the dividend component is expected to be a meaningful portion of expected total return.

Benefits of Our Approach

Mondrian's approach focuses on providing a rate of return meaningfully greater than the client's domestic rate of inflation. Our portfolios seek to preserve capital during protracted global market declines. Additionally, our portfolio performance seeks to be less volatile than the MSCI EM Small Cap Index and the performance of most other emerging markets small cap managers.

Investment Process

- A value-oriented dividend discount analysis at both the individual security and market level seeks to isolate value across geographic and industrial borders in a unified manner.
- Currency analysis based on a long term purchasing power parity approach, supplemented by shorter-term probability assessment.
- Fundamental research is strongly emphasized. An extensive program of company and market visits enhances initial qualitative and quantitative desk research, both prior to the purchase of a stock and after its inclusion in the portfolio.

Liquidity

- Limits on flows will be utilized to protect investors and assure sufficient liquidity to invest/divest asset flows. This may result in delays to investment and a managed withdrawal schedule.

Performance Summary (USD)

	Composite Gross %	Composite Net %	MSCI EM Small Cap %
Cumulative Periods			
Quarter 2, 2020	18.06	17.78	27.14
Annualized Periods			
1 Year	-2.97	-3.88	-8.82
3 Years	-2.22	-3.14	-2.95
5 Years	-1.38	-2.31	-1.38
7 Years	0.98	0.03	0.96
Since Inception November 1, 2011 (annualized)	3.94	2.96	1.53

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	Composite Gross Return	Composite Net Return	MSCI Emerging Markets Small Cap
Quarter 2, 2020	18.06%	17.78%	27.14%

Market Background

The MSCI Emerging Markets Small Cap Index rose 27.1% in the second quarter of 2020 (all returns in USD)

The small cap emerging equity markets rebounded sharply in the second quarter of the year as countries around the world began easing lockdown restrictions, supported by further stimulus and substantial central bank liquidity. The MSCI Emerging Market Small Cap Index gained 27.1% in the second quarter, benefiting from the return of risk appetite and the US dollar weakness.

Asia was the strongest region over the quarter

Asia was the best performing region over the quarter, returning 27.9%. Outperformance was led by the export-oriented markets of Thailand and Taiwan, gaining 47.9% and 33.5%, buoyed by hopes of a recovery in global demand as world economies start to re-open. India also fared well, gaining 27.8%, benefitting from a number of central bank support measures including a major fiscal stimulus package announced in May. China underperformed after a relatively strong performance in the first quarter; up only 13.1% despite the continued recovery of economic activity. During the period, geopolitical tensions with the US increased materially; in May the US President signed an executive order cutting Huawei off from US technology required to produce 5G basestations, severely handicapping China's ability to develop and roll out their domestic 5G infrastructure; and in June, the US retaliated to China's imposition of a new security law in Hong Kong, by taking steps toward removing the territory's special economic status. In addition, tensions between China and India surfaced, with fatal skirmishes occurring on the disputed Himalayan border. Latin America slightly lagged the broader Index, gaining 26.5%. The region saw a surge in coronavirus infections over the period, led by Brazil and Mexico, and now accounts for approximately half of new fatalities. Despite the pandemic and currency weakness, Brazil was the best performer, returning 30.4%. Mexico fared less well, gaining 18.4%, dampened by the perception that the government's stimulus measures are insufficient. The Europe, Middle East and Africa region was the worst performing region over the quarter, albeit still returning 23.4%. Poland led within the region, rising 35.6%, and Turkey returned 34.5%. The Middle East was relatively weak, with the UAE, Qatar and Saudi Arabia, returning 24.7%, 19.4% and 15.5% respectively.

Information Technology sector led gains over the quarter

Information Technology was the best performing sector over the quarter, rising by 35.3%. Health Care also outperformed, gaining 29.6%. The Energy sector was only a slight laggard amidst extreme oil price volatility, rising 26.4%. After a weak first quarter, crude oil prices continued to worsen through April as oversupply and storage concerns led WTI forward contracts to briefly turn negative. An agreement between OPEC and Russia to make further cuts to production to offset the record collapse in demand due to coronavirus stabilised prices, which have since risen to approximately \$40 as demand began to recover. The Financials sector underperformed the Index, rising 20.5%, whilst Real Estate was the worst performing sector in relative terms, up 16.8%.

Exchange rate movements had a positive impact on US dollar returns

Most major currencies appreciated relative to the US dollar during the second quarter. The Indonesian rupiah and Colombian peso were the best performing currencies, appreciating by 14.2% and 8.6% respectively. The Brazilian real was the worst performing currency, declining by -5.5%, and the Turkish lira was also notably weak, falling -3.9%.

Performance Attribution for the Second Quarter

In the strongest quarter for the MSCI Emerging Market Small Cap Index since the recovery from the global financial crisis in Q2 2009, the Emerging Markets Small Cap net Composite delivered a return of 17.8%, lagging the Index by -7.4%. The Emerging Markets Small Cap portfolio has exhibited its defensive qualities during the volatile first half of 2020, and has still outperformed the Index by 3.9% YTD.

The Emerging Market Small Cap portfolio's underperformance during the second quarter was predominantly driven by stock selection within Asia, particularly in India, China and the ASEAN countries where the portfolio was unable to keep up with the strongly rising markets. Lack of exposure to Taiwan and Brazil also contributed negatively. This was only partly offset by positive contribution from the portfolio's positioning in South Africa, and stock selection in Mexico.

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Characteristics

	Mondrian	MSCI EM Small Cap
Total Product Assets	\$618 million	—
Number of Holdings	87	1,559
Weighted Average Market Cap	\$1.7 billion	\$1.2 billion
Median Market Cap	\$1.1 billion	\$690 million

Sector Allocation

	Mondrian %	MSCI EM Small Cap %
Communication Services	1.4	4.1
Consumer Discretionary	13.1	13.2
Consumer Staples	16.4	5.5
Energy	1.1	1.8
Financials	5.0	9.8
Health Care	16.4	10.9
Industrials	16.2	12.8
Information Technology	14.0	18.7
Materials	7.1	11.2
Real Estate	5.3	7.6
Utilities	1.9	4.4
Cash	2.1	—
TOTAL	100.0	100.0

Country Allocation

	Mondrian %	MSCI EM Small Cap %
Latin America	7.5	11.5
Brazil	3.3	7.4
Mexico	2.4	2.1
Peru	1.8	—
Europe, Middle East & Africa	13.9	13.5
Czech Republic	1.0	0.1
Estonia	1.3	—
Kuwait	1.8	—
Poland	2.6	1.4
Saudi Arabia	4.3	2.6
Slovenia	0.5	—
South Africa	0.4	3.5
UAE	1.3	0.6
United Kingdom	0.7	—
Asia	76.5	75.0
North Asia	34.4	53.3
China/Hong Kong	14.0	12.1
South Korea	6.8	17.1
Taiwan	13.6	24.2
South Asia	42.1	21.6
India	27.9	11.4
Indonesia	4.4	1.8
Malaysia	3.0	3.4
Philippines	4.5	0.8
Thailand	2.3	3.7
Cash	2.1	—
TOTAL	100.0	100.0

Portfolio Managers

Ormala Krishnan
CIO Small Cap Equities

Graeme Coll
Senior Portfolio Manager

Mondrian utilizes a team approach to making investment decisions. The individuals listed above represent several key members of the team.

See Important Notes & Disclosures on page 4.

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Important Notes & Disclosures

1. Mondrian claims compliance with the Global Investment Performance Standards (GIPS®). Mondrian is a value-oriented defensive manager seeking to achieve high real returns for its clients. All products utilize an income-oriented value discipline. Mondrian's methodology is applied consistently to markets and individual securities, both bonds and equities. The Emerging Markets Small Cap Equity Composite includes US dollar based discretionary fee paying portfolios, measured against the MSCI Emerging Markets Small Cap Index net of US withholding taxes. The portfolios are invested primarily in small capitalisation publicly traded companies based in an emerging market, or deriving a majority of revenue within emerging market economies. The MSCI Emerging Markets Small Cap Index assumes the reinvestment of dividends after the deduction of withholding tax and approximates the minimum possible dividend re-investment. To receive a complete list and description of composites and/or a presentation that adheres to the GIPS standards, contact Mondrian Investment Partners (U.S.), Inc at 215-825-4500.

For the month of inception, November 2011, the composite consisted only of a Mondrian seed capital portfolio which is non-fee paying and had no external investors. The portfolio was managed and operated identically to external portfolios, and portfolio accounting was performed in conjunction with independent Fourth parties.

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2. This Quarterly Update contains supplemental information which complements the Mondrian Emerging Markets Small Cap Equity Composite GIPS compliant presentation. Additional information is available upon request.

Total Product Assets may consist of multiple composites. Performance for the main composite for the product is shown.
3. Accounts may not be included in the main composite for reasons such as client domicile or client specific investment restrictions.
4. Calculations for P/E, P/B, dividend yield, sector country allocations and market caps are based on generally accepted industry standards. All characteristics are based on a representative account and derived by first calculating the characteristics for each security, and then calculating the weighted-average of these values. The details of exact calculations can be provided upon request.
5. Past performance is not indicative of future results. An investment involves the risk of loss. The investment return and value of investments will fluctuate.
6. There can be no assurance that the investment objectives of the strategy will be achieved.
7. All characteristic data provided is produced using Mondrian's accounting system data.
8. Performance results marked "Gross" do not reflect deduction of investment advisory fees but are net of transaction costs and withholding tax. Investment returns will be reduced accordingly. Performance returns marked "Net" reflect deduction of investment advisory fees and are calculated by deducting a quarterly indicative fee from the quarterly composite return. The indicative fee is defined as being the effective fee rate (or average weighted fee) at the composite's minimum account size. Actual net composite performance would be higher than the indicative net performance shown because some accounts may have sliding fee scales and therefore lower effective fee rates.
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