

Mondrian International Small Cap Equity Quarterly Update

International Small Cap at a Glance

- Total Product Assets: \$4.9 billion
- Product Inception: January 1998
- Active value-oriented defensive strategy
- Consistent application of income oriented valuation approach
- History of outperformance versus the benchmark, with lower volatility
- Dedicated small cap team
- Universe: Securities that have a maximum market capitalization of approximately US\$3.5bn at time of purchase
- Portfolios contain 70-120 securities
- Annual turnover is generally 20-40%

Our Organization

- Founded in 1990, with 30 years of stable, consistent leadership
- Firmwide Assets: Over \$49 billion
- Mondrian is employee-owned; approximately half of employees 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

Performance Summary (USD)

	Composite Gross %	Composite Net %	MSCI World Ex-US Small Cap %
Cumulative Periods			
Quarter 2, 2020	18.44	18.21	21.66
Annualized Periods			
1 Year	-6.51	-7.23	-3.20
3 Years	1.38	0.60	0.53
5 Years	3.85	3.06	3.56
10 Years	8.21	7.37	7.26
15 Years	8.41	7.58	5.38
Since Inception January 1, 1998 (annualized)	9.67	8.83	6.86

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.

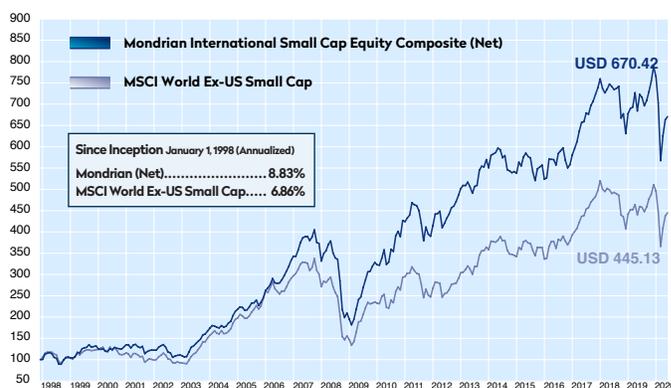
Benefits of Our Approach

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 has historically been less volatile than the international small cap benchmarks and performance of most other international small cap managers.

Investment Process

- A value oriented dividend discount analysis at both the individual security and market level isolates value across geographic and industrial borders in a unified manner.
- 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.

Cumulative Returns (USD) January 1998 = 100



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	Composite Gross Return	Composite Net Return	MSCI World Ex-US Small Cap
Quarter 2, 2020	18.44%	18.21%	21.66%

Market Background

The MSCI World ex US Small Cap Index rose 21.7% during the quarter (all returns in US dollars)

International small cap equities recovered some ground during the second quarter, supported by the announcement of further stimulus packages as well as the gradual loosening of lockdowns, particularly across Europe.

All markets registered growth in the second quarter

The small cap markets in Sweden, the Netherlands and Norway were the strongest performers in Europe, up 32.5%, 32.0% and 32.0% respectively. Of the major European markets, the German and French small cap markets also performed well on a relative basis, rising 28.1% and 22.2% respectively, while the UK small cap market underperformed, albeit up 14.8%. Despite registering growth of 5.5%, Israel was the worst performing market in the index, held back by a weak local real estate market.

The Australian small cap market generated the highest return in the index, up 47.1%, helped by a strong local materials sector, as well as appreciation of the Australian dollar. Elsewhere in the Asia Pacific region, the New Zealand small cap market outperformed the index, gaining 25.5%. The Singapore, Hong Kong and Japanese small cap markets all underperformed the index, up 20.7%, 14.7% and 12.8% respectively.

The Canadian small cap market gained 44.1%, driven by its exposure to the strong materials sector.

Cyclically sensitive sectors generally led returns

The materials sector was the strongest performer in the quarter, up 36.7%. The cyclically sensitive information technology, consumer discretionary and industrials sectors also outperformed the index, rising 32.1%, 26.6% and 21.9% respectively. Meanwhile the traditionally defensive health care, energy, utilities and consumer staples sectors lagged the index, albeit up 21.6%, 19.8%, 16.9% and 13.5% respectively. The real estate sector was the weakest sector in the index, up 9.4%.

Exchange rate movements boosted US dollar returns

Most currencies appreciated against the US dollar in the second quarter. The strongest currencies were the Australian dollar, Norwegian krone and the New Zealand dollar, which appreciated by 12.5%, 8.9% and 8.6% respectively. The Canadian dollar, euro and Japanese yen appreciated by 4.5%, 2.4% and 0.1% respectively. The British pound was the worst performing currency in the index, depreciating by 0.4%.

Performance Attribution for the Second Quarter

Following a broad market sell-off at the beginning of the year, the index rose 21.7% in the second quarter. In this strongly rising market, the Composite portfolio (net of fees) delivered a positive return of 18.2%, underperforming the benchmark by 2.7%.

Underperformance was largely driven by negative stock selection in Canada, Australia and France, where holdings underperformed the rising benchmark after registering strong relative performances during the market downturn in the first quarter. Positive contributions came from the portfolio's exposure to Japan, with strong stock selection and an underweight exposure to the relatively weak local market and yen, as well as strong stock selection in Belgium and Germany.

Investment Strategy

The main highlights of the strategy being adopted for the Fund are:

- A defensively positioned portfolio focused on well managed, attractively valued, high yielding companies, with structural growth prospects and robust balance sheets
- Exposure to fiscally strong economies which are able to undertake counter-cyclical fiscal policies to boost domestic growth
- Exposure to smaller de-correlated markets

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Sector Allocation

	Mondrian %	MSCI World Ex-US Small Cap %
Communication Services	3.7	4.2
Consumer Discretionary	10.0	11.9
Consumer Staples	9.6	6.6
Energy	1.6	2.3
Financials	2.0	10.1
Health Care	2.7	7.7
Industrials	27.7	21.2
Information Technology	9.8	10.6
Materials	4.9	10.0
Real Estate	15.2	12.3
Utilities	11.2	3.1
Cash	1.6	—
TOTAL	100.0	100.0

Country Allocation

	Mondrian %	MSCI World Ex-US Small Cap %
North America	12.4	8.4
Canada	12.4	8.4
Asia Pacific	36.7	41.0
Australia	9.6	7.7
Hong Kong/China	2.6	2.1
Japan	15.2	28.6
New Zealand	0.5	0.9
Singapore	8.8	1.8
Europe & Middle East	49.3	50.6
Belgium	2.0	1.8
France	8.2	2.7
Germany	9.0	5.3
Ireland	1.3	0.4
Italy	2.2	2.8
Netherlands	3.3	2.0
Norway	1.4	1.9
Sweden	4.0	6.1
Switzerland	2.6	4.9
United Kingdom	15.3	15.2
Other Europe	—	7.4
Cash	1.6	—
TOTAL	100.0	100.0

Corporate Update

Frances Cuthbert, Senior Portfolio Manager, has resigned from the International Small Cap team. She has informed us that she is planning to take some time off and is not in the process of joining another firm.

Her primary research responsibilities were Hong Kong, Germany, and France. These will be taken over by Charl Basson, Portfolio Manager, supported by the wider team of senior and junior members. The International Small Cap team has a wide range of talented investment professionals. Senior Portfolio Managers, Aidan Nicholson and Bhavin Manek, have worked closely with Ormala Krishnan, CIO, for an average of 16 years. Charl joined us from PWC in 2016. He is a CFA Charterholder and a qualified Chartered Accountant with the Institute of Chartered Accountants of England and Wales. Additionally, both Sarah Wood and Thomas Morgan have joined the team in recent years, Tom having worked at the firm since 2012. Sarah and Tom will work closely with Aidan, Bhavin and Charl by assisting them with their research coverage.

Mondrian has a history of low staff turnover. However, from time to time it is inevitable that we encounter resignations. Our track record of hiring ahead of needs and growing a pipeline of talent ensures that the team is well resourced to undertake research as well as client servicing effectively.

Frances worked exclusively on Mondrian's International Small Cap strategy. We wish her well.

Portfolio Managers

Ormala Krishnan
CIO Small Cap Equities

Aidan Nicholson
Senior Portfolio Manager

Bhavin Manek
Senior Portfolio Manager

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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 International Small Cap Equity Composite includes US dollar based discretionary fee paying portfolios, measured against the MSCI World Ex-US Small Cap Index net of US withholding taxes. The portfolios are invested in non-US based small capitalisation equities with the allowance for hedging. The MSCI World Ex-US 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.

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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 Second 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 have sliding fee scales and therefore lower effective fee rates.
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