

Mondrian International Small Cap Equity Quarterly Update

International Small Cap at a Glance

- Total Product Assets: \$5.4 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: Approximately \$50 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 57 investment professionals in London

Performance Summary (USD)

	Composite Gross %	Composite Net %	MSCI World Ex-US Small Cap %
Cumulative Periods			
Quarter 3, 2020	9.01	8.80	10.12
Annualized Periods			
1 Year	3.80	3.00	6.88
3 Years	2.33	1.54	1.42
5 Years	7.82	6.99	7.35
10 Years	7.26	6.44	6.55
15 Years	8.53	7.69	5.26
Since Inception January 1, 1998 (annualized)	9.97	9.13	7.24

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.

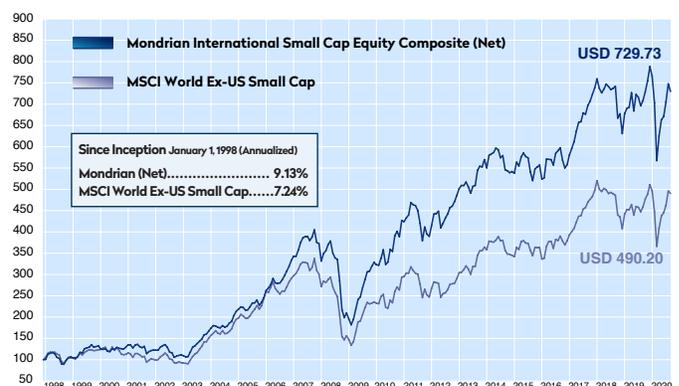
Benefits of Our Approach

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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Quarter 3, 2020

	Composite Gross Return	Composite Net Return	MSCI World Ex-US Small Cap
Quarter 3, 2020	9.01%	8.80%	10.12%

Market Background

The MSCI World ex US Small Cap Index rose 10.1% during the quarter (all returns in US dollars)

International small cap equities continued their recovery during the third quarter, boosted by further reopening of countries, particularly across Europe, after months of restrictions imposed to curb the spread of Covid-19, as well as the prospect of an accommodative global rates environment with the US Federal Reserve confirming a more flexible inflation target.

Most markets registered growth in the third quarter

The small cap markets in the fiscally strong Nordic countries of Sweden, Finland and Denmark were the best performers in the index, up 23.6%, 22.9% and 15.3% respectively. The German small cap market rose 10.6%, while the French and UK small cap markets underperformed the index, albeit rising 8.4% and 6.4% respectively. Ireland and Portugal were the only small cap markets to fall during the quarter, down 3.2% and 5.0% respectively, both driven by a weak financials sector.

In the Asia Pacific region, the New Zealand small cap market was the best performer, rising 13.3%. The small cap markets in Australia, Japan and Hong Kong marginally underperformed, up 10.0%, 9.5% and 9.5% respectively. Meanwhile, Singapore was the weakest small cap market in the region, up 4.5%.

The Canadian small cap market rose 8.7%.

Cyclically sensitive sectors generally led returns

The communication services, consumer discretionary and information technology sectors all outperformed the index, rising 20.4%, 14.6% and 11.3% respectively. Meanwhile, the real estate and financials sectors underperformed, up 7.8% and 5.6% respectively, held back by concerns about the lasting economic impact of restrictions imposed to curb the spread of Covid-19. The energy sector was the weakest performer, up 0.7%.

Exchange rate movements boosted US dollar returns

All currencies in the index appreciated against the US dollar during the third quarter. The British pound and euro rose by 4.6% and 4.4% respectively. The Japanese yen rose 2.2%, while the Canadian dollar was the weakest major currency in the index, albeit up 2.0%.

Performance Attribution for the Third Quarter

The index continued its recovery following a broad market sell off at the beginning of the year, rising 10.1% in the third quarter. In this strongly rising market, the composite portfolio (net of fees) delivered a positive return of 8.8%, underperforming the benchmark by -1.2%.

Underperformance was largely driven by market allocation, as the portfolio's overweight exposure to the relatively weak markets in Singapore and France, and underweight exposure to the relatively strong Swedish market held back returns. Stock selection was broadly neutral, as negative impacts from France and Australia were offset by positive stock selection in Canada, Japan and Germany. Currency effects were also broadly neutral to performance.

Investment Strategy

The main highlights of the strategy being adopted for the account 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

Mondrian International Small Cap Equity

Quarterly Update

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Sector Allocation

	Mondrian %	MSCI World Ex-US Small Cap %
Communication Services	3.6	4.5
Consumer Discretionary	13.3	12.4
Consumer Staples	8.9	6.6
Energy	1.9	2.1
Financials	1.5	9.6
Health Care	2.5	7.3
Industrials	26.8	21.6
Information Technology	10.2	10.7
Materials	4.5	9.9
Real Estate	14.2	12.2
Utilities	10.8	3.1
Cash	1.8	—
TOTAL	100.0	100.0

Country Allocation

	Mondrian %	MSCI World Ex-US Small Cap %
North America	12.6	8.2
Canada	12.6	8.2
Asia Pacific	39.3	40.9
Australia	9.6	7.8
Hong Kong/China	5.4	2.0
Japan	16.0	28.5
Singapore	8.2	1.7
Other Asia Pacific	—	0.9
Europe & Middle East	46.4	50.9
Belgium	1.0	1.4
France	7.6	2.7
Germany	7.9	5.2
Ireland	1.0	0.4
Italy	1.8	2.7
Netherlands	3.1	2.1
Norway	2.1	1.9
Sweden	4.1	7.0
Switzerland	2.5	5.1
United Kingdom	15.2	15.0
Other Europe	—	7.4
Cash	1.8	—
TOTAL	100.0	100.0

Portfolio Managers

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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.
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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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For more information please contact Mondrian Investment Partners (U.S.), Inc. at 215-825-4500.