

Mondrian Emerging Markets Equity ADR

Emerging Markets at a Glance

- Total Emerging Markets Assets: USD 8.4 billion
- Total Product Assets: USD 9.0 million
- Product Inception: September 2019
- Active value-oriented defensive strategy
- Portfolios contain circa 30-40 stocks
- Annual turnover is generally 30-50%

Our Organization

- Founded in 1990, with 30 years of stable, consistent leadership
- Emerging Markets Equity strategy started in 1996
- Approximately USD 60 billion under management and advisement
- Mondrian is an independent, employee-owned asset manager; approximately half of employees are partners today
- Consistent, valuation discipline has been applied to all products since the firm's inception
- Highly experienced team of 58 investment professionals in London
- Dedicated Emerging Markets Equity team of eight

Philosophy

Mondrian adopts a high conviction, long term, defensive investment approach with a clear valuation discipline.

We emphasise companies with sustainable free cash flow generation, strong balance sheets, and value accretive capital allocation. The strategy is driven by in depth proprietary research with regular company meetings.

Benefits of Our Approach

Mondrian uses a consistent long-term valuation discipline ensuring we avoid the irrationality that can exist in a volatile space such as Emerging Markets.

In a more challenging market environment, particularly when markets are falling, Mondrian would expect to protect portfolios better given the resilience and strength of our companies, while not sacrificing long-term upside capture.

Investment Process

Mondrian uses a Dividend Discount Methodology to value securities, focusing on attractive long-term fundamentals and future real growth in earnings, cash flow and dividends.

We look for companies with strong competitive advantages or sustainable moats at low risk of technological disruption or ESG risks. This investment process has been implemented since 1996.

Performance Summary (USD)

EM ADR Strategy	Composite Gross (%)	Composite Net (%)	MSCI EM Index (%)	MSCI EM Value Index (%)
Cumulative				
Q121	4.20	3.96	2.29	4.11
Annualized				
1 Year	57.68	56.27	58.39	52.53
SI (Sept. 1, 2019)	22.50	21.41	22.51	14.20

EM Strategy	Composite Gross (%)	Composite Net (%)	MSCI EM Index (%)	MSCI EM Value Index (%)
Cumulative				
Q121	4.23	4.00	2.29	4.11
Annualized				
1Yr	63.24	61.79	58.39	52.53
3Yrs	7.63	6.67	6.48	2.60
5Yrs	10.45	9.46	12.07	8.42
7Yrs	5.69	4.75	6.58	3.50
10Yrs	4.27	3.34	3.65	1.03
SI (Aug 1, 1996)	9.23	8.25	6.76	—

Return Summary

	Composite Gross Return	Composite Net Return	MSCI EM	MSCI EM Value
Quarter 1, 2021	4.20%	3.96%	2.29%	4.11%

Market Background

Emerging Markets recorded fourth consecutive quarter of positive returns

The MSCI Emerging Markets Index rose 2.3% during the first quarter. Following a strong start to the year, market momentum was halted as the quarter progressed by the emergence of risk factors such as new social mobility restrictions enforced due to severe second waves of Covid-19 in certain countries, and rising US bond yields. EMEA (+8.1%) was the best performing region, led by the outperformance of both Saudi Arabia (+16.5%) and South Africa (+12.1%). Asia (+2.2%) performed in line with the index return. Taiwan (+10.9%) continued to be driven by the strength of tech names, while India (+5.1%) also outperformed. Latin America (-5.3%) was the worst performing region, held back by a sell-off in Brazilian assets following the removal of Petrobras' CEO by President Bolsonaro and the government's inability to effectively control increasing levels of Covid-19 infections. The net composite outperformed the benchmark during the quarter.

Top-down attribution was marginally negative for the quarter

Negative market allocation was broadly offset by positive currency effect during the period. In EMEA, the Saudi Arabian market was strong during the quarter (+16.5%), which weighed on market allocation given the portfolio's zero weighting there. An overweight allocation to Peru (-10.6%) also detracted. Offsetting this, were positive currency effects including an overweight exposure to the Chinese renminbi, given the currency's relative strength compared to other EM currencies. When viewed from a sector perspective, top down attribution was more positive. The portfolio's overweight stance in IT (+4.7%) benefitted performance, as did the underweight exposure to Consumer Discretionary (-3.1%), where the benchmark returns were impacted by the correction in a number of highly priced growth names.

Positive stock selection drove portfolio outperformance; led by China and Taiwan

Positive stock selection in China was led by the outperformance of China Merchant's Bank (+19%), which reported results which beat consensus estimates, and may have benefitted from improved sentiment around competitive risks from the fintech operations of the large internet platforms, given continued regulatory scrutiny over those competitors. The portfolio's position in pharma company CSPC (+18%) also performed strongly, following the emergence of regulatory clarity over pricing of a key drug late in the prior quarter. Taiwanese stock selection was driven by the portfolio's two semiconductor names, ASE Technology (+32%) and TSMC (+9.0%), with the former providing a particularly strong outlook relative to prior expectations, and both benefitting from a strong demand backdrop. The most significant detractor from these positives was the position in Barrick Gold (-12.6%), which corrected during the quarter, along with the gold price, given the strong rise in US bond yields.

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

- A long term approach underpinned by a clear valuation discipline. Amongst undervalued companies, the portfolio has a focus on strong companies within their sectors and markets, and those that generate sustainable free cash flow with a healthy balance sheet.
- Overweight exposure to China. We believe the China market has attractive long term dynamics and a high proportion of robust, world-leading, and stable companies. China also has support measures in place, and effective control by government to better navigate through the current global pandemic.
- Underweight in EMEA and Latin America given unattractive risk adjusted valuations. No exposure to Saudi Arabia and Central Eastern Europe.
- Overweight exposure to IT, health care and consumer staples where attractive valuations should be supported by a combination of strong balance sheets, long term structural growth drivers, and increased penetration of products and services.
- Underweight consumer discretionary given high valuations, and in more cyclical areas such as industrials and real estate where risk adjusted valuations mostly remain challenged.

Characteristics	Mondrian	MSCI EM Index
Weighted Average P/E (trailing 12 months)*	19.7x	21.5x
Weighted Average P/B	2.6x	2.1x
Weighted Average Dividend Yield	1.7%	1.8%
Number of Holdings	34	1,392
Weighted Average Market Cap	\$175.0 billion	\$161.7 billion
Median Market Cap	\$35.2 billion	\$4.5 billion

Sector Allocation	Mondrian (%)	MSCI EM Index (%)	Country Allocation	Mondrian (%)	MSCI EM Index (%)
Communication Services	13.8	11.7	Asia	77.2	79.9
Consumer Discretionary	10.4	17.7	China	44.7	37.9
Consumer Staples	11.1	5.6	India	9.4	9.7
Energy	2.4	4.8	Indonesia	1.5	1.2
Financials	22.0	18.2	South Korea	9.5	13.3
Health Care	6.3	4.5	Taiwan	12.1	13.8
Industrials	1.9	4.3	Other Asia	—	3.9
Information Technology	23.0	20.9	Europe, Middle East & Africa	6.8	12.9
Materials	8.8	8.1	Russia	2.1	3.1
Real Estate	—	2.1	Saudi Arabia	—	2.8
Utilities	0.1	2.0	South Africa	4.6	3.8
Cash	0.3	—	Other EMEA	—	3.2
Total	100.0	100.0	Latin America	6.9	7.3
			Brazil	3.9	4.5
			Mexico	1.5	1.7
			Other Latin America	1.4	1.1
			Developed Markets	8.9	0.0
			Cash	0.6	—
			Total	100.0	100.0

Source: Mondrian Investment Partners and MSCI

Sector totals have been arrived at on a look through basis for ETF holdings.

*The portfolio PE calculation does not account for Suzano as it is in loss and distorts the overall number.

Portfolio Managers

Andrew Miller

Chief Investment Officer
Emerging Markets Equities
Managing Partner

Boris Veselinovich

Senior Portfolio Manager
Partner

Ginny Chong

Head of Chinese Equities,
Senior Portfolio Manager
Partner

Daniel Kelly

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Partner

Gregory Halton

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Partner

Sam Wyatt

Senior Portfolio Manager
Partner

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 5.

Important Notes and 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 Equity ADR Composite includes US dollar based discretionary fee paying portfolios, measured against the MSCI EM Index net of US withholding taxes. The portfolios are invested in non-US based equities with the allowance for hedging. The MSCI EM 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.
2. This Quarterly Update contains supplemental information which complements the Mondrian Emerging Markets Equity ADR Composite GIPS compliant presentation. Additional information is available upon request.
3. Total Product Assets may consist of multiple composites. Performance for the main composite for the product is shown. 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 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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