

Mondrian Emerging Markets Small Cap Equity

Emerging Markets Small Cap at a Glance

- Total Product Assets: USD 761 million
- Composite Inception: November 2011
- Benchmark: MSCI Emerging Markets Small Cap Index
- Maximum Market Cap at Inception: Approximately USD 2.25 billion
- Weighted Average Market Cap: Approximately USD 2.5 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
- Approximately USD 60 billion under management and advisement
- 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 58 investment professionals in London

Performance Summary (USD)

Composite	Composite (Gross) %	Composite (Net) %	MSCI EM Small Cap %
Cumulative			
Q121	6.14	5.89	7.67
Annualized			
1 Year	66.19	64.62	87.13
3 Years	6.79	5.79	5.19
5 Years	7.91	6.89	9.59
7 Years	4.94	3.95	5.46
SI Nov 1, 2011	7.45	6.44	5.66

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

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

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.

Return Summary

	Composite Gross Return	Composite Net Return	MSCI Emerging Markets Small Cap
Quarter 1, 2021	6.14%	5.89%	7.67%

Market Background

The MSCI Emerging Markets Small Cap Index rose 7.7% in the first quarter of 2021 (all returns in USD)

The MSCI Emerging Markets Small Cap Index gained 7.7% during the first quarter. The small cap emerging equity markets recorded healthy gains in the first half of the quarter driven by acceleration in the rollout of vaccinations and expectations for Joe Biden's \$1.9tn coronavirus relief bill. However, the sentiment weakened towards the end of the quarter as vaccine programmes in emerging markets lagged their developed counterparts, with lockdown restrictions reintroduced in some countries. The strong US dollar provided further headwinds for emerging markets currencies.

Asia was the strongest region over the quarter

Asia was the best performing region over the quarter, returning 9.1%. India was the strongest market within the region, rising 16.1%, fuelled by positive sentiment from the announcement of the long-term growth-focused 2021 Union Budget. China was also notably strong, rising 12.3%, benefiting from the continued recovery of domestic consumption, strong industrial data as well as confirmation by the People's Bank of China to maintain a prudent and flexible monetary policy that prioritises economic stability in 2021. Taiwan outperformed the Index, gaining 9.6%, benefitting from strength in the Information Technology sector. South Korea lagged the broader Index, albeit still up 2.8%. The Europe, Middle East and Africa region slightly outperformed the Index, returning 8.6%. The notable outperformers were Russia, South Africa and Saudi Arabia which gained 23.3%, 15.7% and 9.5%, respectively. As oil exporters, Russia and Saudi Arabia benefitted from higher energy prices, whilst South Africa benefitted from higher basic-materials prices as well as positive sentiment towards an expected narrowing of its budget deficit. Turkey was the weakest market in the region, declining -5.4%, primarily due to the devaluation of the lira as a consequence of President Erdogan's unexpected replacement of the central bank governor. Latin America was the worst performing region over the quarter, declining -3.9%. The weakness was primarily driven by the region's currencies depreciating against the US dollar despite higher commodity prices. The region has continued to struggle to contain new cases of COVID-19, and there has been a slow start to vaccination programmes. Within the region, Mexico underperformed the broader Index, declining by -0.4%. Brazil was also notably weak, falling -6.2%, as investor concerns over the fiscal deficit were compounded by rising political uncertainty.

The Materials sector led gains over the quarter

The Materials sector was the best performing sector over the quarter, rising 12.0%, helped by increased commodity prices. The Financials sector also fared well, gaining 11.6%. The Information Technology and Consumer Discretionary sectors also outperformed, both up 10.3%. The Energy sector underperformed the broader Index, albeit still rising 4.5%. The oil price continued to increase over the quarter on the back of continued demand recovery and tighter supply. Health Care was the worst performing sector over the quarter, down -7.1%.

Exchange rate movements had a negative impact on US dollar returns

Most major emerging markets currencies depreciated relative to the US dollar during the first quarter. The Turkish lira and Brazilian real were the worst performing currencies over the quarter, down by -10.2% and -8.0% respectively. The South Korean won and Taiwanese dollar fell -4.0% and -1.5% respectively. The South African rand and Indian rupee fared relatively well depreciating just -0.5% and -0.1%.

Performance Attribution for the First Quarter

The defensively positioned Mondrian Emerging Markets Small Cap net composite outperformed during modestly rising markets in January and March but was unable to keep up with stronger returns in February. As a result, the net composite gained 5.9% over the quarter, lagging the Index by -1.7%.

The underperformance stemmed from the portfolio's stock selection in India, Taiwan and Brazil as well as its positioning in the Philippines. This was partly offset by the portfolio's positioning and strong stock selection in South Korea as well as the portfolio's overweight exposure to the strong Indian market.

Country Allocation	Mondrian (%)	MSCI EMSC Index (%)	Sector Allocation	Mondrian (%)	MSCI EMSC Index (%)
Latin America	7.5	9.7	Communication Services	1.0	3.7
Brazil	3.8	6.1	Consumer Discretionary	12.5	12.6
Mexico	2.2	1.8	Consumer Staples	10.6	5.7
Peru	1.5	0.1	Energy	—	2.1
Europe, Middle East & Africa	10.5	13.3	Financials	6.1	10.5
Czech Republic	1.0	0.0	Health Care	15.4	9.0
Estonia	0.6	—	Industrials	15.7	15.0
Kuwait	1.5	0.7	Information Technology	24.5	17.7
Poland	1.4	1.2	Materials	6.0	12.5
Saudi Arabia	4.0	2.4	Real Estate	6.7	6.9
Slovenia	0.6	—	Utilities	0.7	4.3
UAE	1.4	0.5	Cash	0.9	—
Asia	81.2	77.0	Total	100.0	100.0
North Asia	45.2	50.3	Characteristics	Mondrian (%)	MSCI EMSC Index (%)
China/Hong Kong	15.8	10.8	Total Product Assets	\$761 million	—
South Korea	10.6	18.0	Number of Holdings	87	1,683
Philippines	18.8	21.5	Weighted Average Market Cap	\$2.5 billion	\$1.8 billion
South Asia	36.0	26.7	Median Market Cap	1.4 billion	0.9 billion
India	28.2	17.0			
Indonesia	1.9	1.8			
Malaysia	1.9	3.1			
Philippines	2.9	0.7			
Thailand	1.1	3.7			
Cash	0.9	—			
Total	100.0	100.0			

Portfolio Managers

Ormala Krishnan

Chief Investment Officer – Small Cap Equities
Managing Partner

Graeme Coll

Head of Emerging Markets Small Cap
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 4.

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 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 capitalization 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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