

Mondrian Emerging Markets Equity

Emerging Markets at a Glance

- Total Emerging Markets Assets: USD 8.3 billion
- Total Product Assets: USD 7.9 billion
- Product Inception: August 1996
- Active value-oriented defensive strategy
- Consistent application of income oriented valuation approach
- Portfolios contain circa 40-60 securities
- Annual turnover is generally 30-50%

Our Organisation

- Founded in 1990, with 30 years of stable, consistent leadership
- Emerging strategy started in 1996
- Over 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 56 investment professionals in London
- Dedicated Emerging team of seven

Performance Summary (USD)

Composite	Composite Gross (%)	Composite Net (%)	MSCI EM Index (%)	MSCI EM Value Index (%)
Cumulative				
Q221	3.09	2.86	5.05	5.67
Annualized				
1 Year	45.73	44.43	40.90	41.59
3 Years	12.35	11.35	11.27	7.81
5 Years	10.67	9.68	13.03	9.70
7 Years	4.97	4.03	6.35	3.30
10 Years	4.53	3.60	4.28	1.80
SI (Aug 1, 1996)	9.26	8.29	6.90	N/A

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

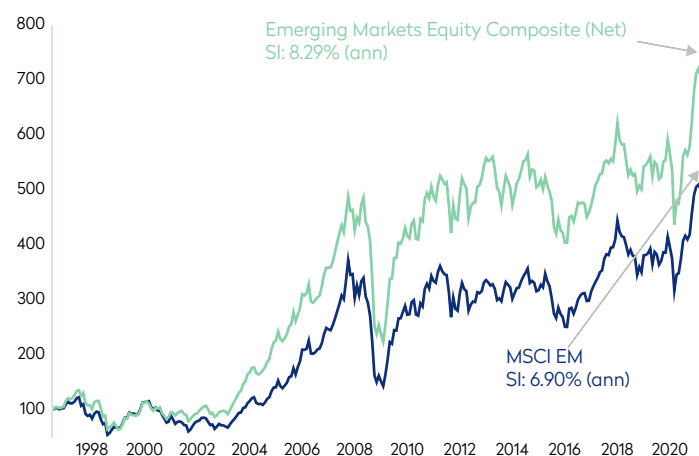
Mondrian uses a consistent long-term valuation discipline ensuring we avoid the irrationality that can exist in a volatile space such as Emerging Markets.

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

- 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) August 1996 = 100



Return Summary

	Composite Gross Return	Composite Net Return	MSCI EM	MSCI EM Value
Quarter 2, 2021	3.09%	2.86%	5.05%	5.67%

Market Background

Emerging Markets posted a positive second quarter

The MSCI Emerging Markets Index rose 5.0%, the fifth consecutive positive quarter since the Covid-19 sell off experienced in the first quarter of 2020. All regions posted positive absolute returns, with Latin America (+15.0%) and EMEA (+7.4%) outperforming while Asia (+3.8%) lagged. Latin America's outperformance was dominated by the outperformance of Brazil (+22.9%) and Mexico (+9.1%), with local currency returns in Brazil boosted by a 12.5% appreciation of the real. EMEA also outperformed, albeit to a lesser extent, driven by markets with high exposure to increasing energy prices in Russia (+14.0%) and Saudi Arabia (+10.0%). Within Asia, returns were held back by China (+2.3%) as an ongoing regulatory crackdown from the government impacted several large internet related stocks that hindered market performance. The net composite lagged the positive index return.

Top-down allocation detracted from investment performance

The portfolio's underweight allocation to EMEA held back relative returns, with no exposure to the outperformance of Saudi Arabia (+10.0%) and underweight exposure to the appreciation of South African rand the biggest detractors. Overweight exposure to Peru (-8.8%) also had a negative impact as political uncertainty weighed on the market. Within Asia, although overweight positioning in China was a negative, this was more than offset positively by the overweight allocation to the outperforming Taiwanese market and underweight positioning within ASEAN markets.

Sector allocation was mixed; cyclical recovery sectors outperform

The performance of cyclical sectors was led by industrials (+13.2%), supported by an ongoing recovery in economic activity. The portfolio's underweight allocation to the sector detracted from relative returns. Both the energy (+12.1%) and materials (+8.4%) sectors also outperformed, supported by rising commodity prices. Overweight positioning in the strong health care (+14.1%) sector contributed positively to investment performance, with further value added from stock selection within the sector. No exposure to the weak real estate (-6.0%) sector also had a positive impact.

Relative returns impacted by negative stock selection in Asia

The biggest individual detractor from performance was stock selection in Taiwan, where the positions in IT names Hon Hai and Alchip both underperformed, especially relative to the outperformance of the overall Taiwanese market. Stock selection in India also detracted, primarily due to small negative contributions from housing finance provider HDFC and IT services provider HCL Technologies. Stock selection in China was mixed, with several positions posting substantial gains such as health care names China Medical System (+34.9%) and CSPC (+20.6%) as well as solar module manufacturer LONGi Green Energy (+43.8%). However these were counterbalanced by the underperformance of insurance provider Ping An, online auto service platform Autohome, and domestic appliance manufacturers Gree Electric and Midea. Elsewhere, the portfolio benefitted from additional small positive contributions from stock selection in South Africa and Mexico

Investment Strategy and Portfolio Positioning

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 China and Taiwan as we believe both markets have attractive long term dynamics and a high proportion of robust, world-leading, and stable companies. Underweight ASEAN markets given less attractive valuations and opportunities there.
- Underweight in EMEA given unattractive risk adjusted valuations. Zero exposure to Saudi Arabia and Central Eastern Europe, underweight to South Africa.

Investment Strategy and Portfolio Positioning (continued)

- 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. Also overweight financials.
- 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)*	16.8x	18.6x
Weighted Average P/B	2.4x	2.1x
Weighted Average Dividend Yield	2.0%	1.8%
Number of Holdings	44	1,412
Weighted Average Market Cap	\$176.5 billion	\$154.1 billion
Median Market Cap	\$34.7 billion	\$4.8 billion

Sector Allocation	Mondrian (%)	MSCI EM Index (%)	Country Allocation	Mondrian (%)	MSCI EM Index (%)
Communication Services	11.9	11.3	Asia Pacific	83.9	79.1
Consumer Discretionary	11.5	17.6	China	42.8	37.5
Consumer Staples	7.4	5.6	India	9.9	9.9
Energy	4.9	5.0	Indonesia	1.5	1.1
Financials	21.3	17.8	South Korea	11.8	13.2
Health Care	6.0	5.0	Taiwan	17.9	13.9
Industrials	–	4.9	Other Asia	–	3.5
Information Technology	29.9	20.4	Europe, Middle East & Africa	4.7	13.0
Materials	6.7	8.4	Russia	2.7	3.3
Real Estate	–	2.0	Saudi Arabia	–	2.9
Utilities	–	1.9	South Africa	2.0	3.5
Cash	0.5	–	Other EMEA	–	3.3
Total	100.0	100.0	Latin America	7.7	7.8
			Brazil	4.8	5.2
			Mexico	1.1	1.7
			Other Latin America	1.8	0.9
			Developed Markets	3.2	0.0
			Cash	0.5	–
			Total	100.0	100.0

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

Portfolio Managers

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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 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 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.
9. Views expressed were current as of the date indicated, are subject to change, and may not reflect current views. Views should not be considered a recommendation to buy, hold or sell any security and should not be relied on as research or investment advice.
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