

# Mondrian International Equity

## International Equity at a Glance

- Total Product Assets: USD 16.5 billion
- Product Inception: October 1991
- Active value-oriented defensive strategy
- Consistent application of income oriented valuation approach
- History of outperformance versus the benchmark, with lower volatility
- Portfolios contain 35-55 securities
- Annual turnover is generally 10-20%
- Product closed to new separate accounts

## Our Organization

- Founded in 1990, with 30 years of stable, consistent leadership
- 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

## Performance Summary (USD)

Composite	Composite (Gross) %	Composite (Net) %	MSCI EAFE %	MSCI EAFE Value %
<b>Cumulative</b>				
Q221	5.04	4.89	5.17	3.01
<b>Annualized</b>				
1 Year	34.31	33.58	32.35	33.50
3 Years	6.01	5.43	8.27	3.78
5 Years	7.86	7.27	10.28	7.81
7 Years	3.66	3.09	4.96	1.95
10 Years	5.51	4.93	5.89	3.86
<b>SI Oct 1, 1991</b>	<b>8.17</b>	<b>7.58</b>	<b>5.74</b>	<b>N/A</b>

## 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.

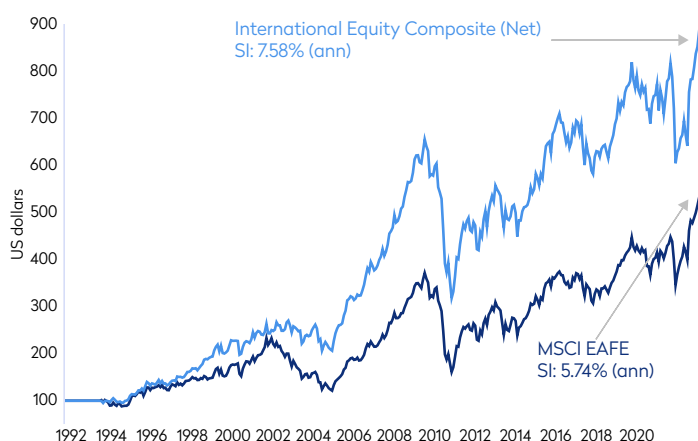
## Benefits of Our Approach

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 equity benchmarks and most other international equity 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) October 1991 = 100



## Quarterly Update

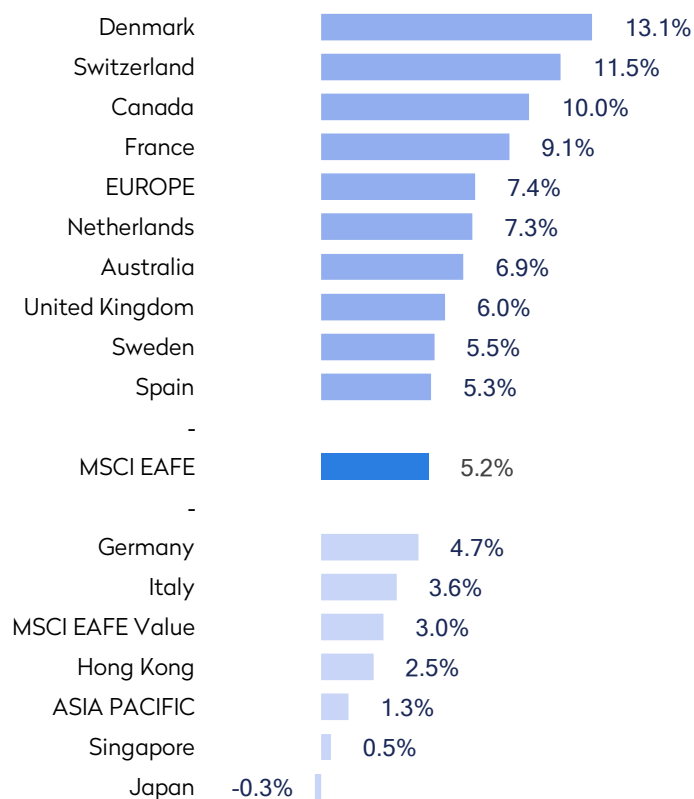
International equities rose further in the second quarter, supported by the ongoing vaccine rollout and broader economic re-opening supporting improving economic data and strong corporate earnings. Equity markets shrugged off fears of rising inflation and the spread of the highly contagious Delta COVID-19 variant. Returns from European markets led those from Asia Pacific as Europe continued to accelerate its vaccine rollout, while Japan's slow start to the vaccine rollout weighed on returns.

In a strong second quarter for equity markets, net composite returns were slightly under the index returns and exceeded the value sub-index.

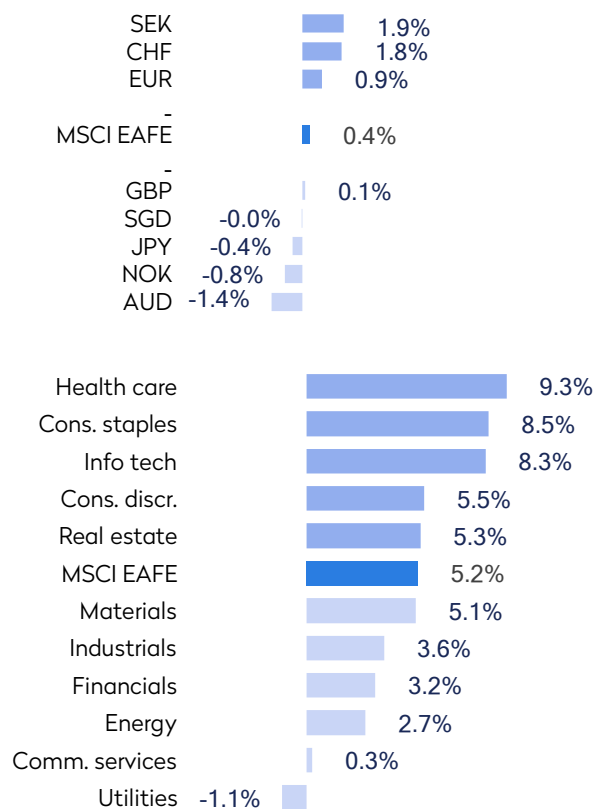
## Market Background: MSCI EAFE Index (USD)

Q2 2021

### Selected Equity Market Returns



### Selected Currency and Sector Returns



## Return Summary

	Relative Effects	Negative Contributors	Positive Contributors
Country Allocation	Held back	Overweight Asia Pacific Underweight Switzerland	Overweight UK
Stock Selection	Added	Italy	UK Japan
Significant Stock Contributors		Takeda Pharmaceutical Sekisui Chemical Enel	Fujifilm Fujitsu Kingfisher
Currency Allocation	Broadly neutral	Underweight Swiss franc	Underweight Australian dollar

## Performance Attribution

### Country allocation held back relative returns

The positive impact of the overweight position in the UK equity market was more than offset by the overweight position in Asia Pacific markets and the underweight position in the strong Swiss equity market.

Most markets rose, led by those with high exposure to the strong health care and consumer staples sectors, such as Denmark and Switzerland. In contrast, the Japanese market was weak as the pace of their vaccination rollout lagged other developed markets.

### Stock selection in the UK and Japan added to relative returns

The portfolio benefitted from strong stock selection in the UK and Japan. Fujifilm performed particularly well as it continued to benefit from its increased focus on healthcare. Increased disclosures about, and investment in, its high growth, high margin biopharmaceutical manufacturing business were rewarded by the market. Fujitsu, Japan's leading IT services provider, benefitted from accelerating digitalization in Japan, as well as internal measures to improve efficiency and margins. In the UK, the home improvement retailer Kingfisher continued to see strong business momentum in the first half of 2021, benefitting from consumers' renewed appetite for DIY during COVID-19 lockdowns, and a buoyant UK housing market.

These strong returns were only partially offset by returns from stocks in Italy. Enel, the Italian integrated utility, was held back by fears around return compression in renewables due to intensifying competition.

### Relative returns were held back by the overweight position in the weak utilities sector

The overweight positions in the relatively weak utilities and communication services sectors held back relative returns. Offsetting this, stock selection within sectors added to relative returns, driven by stock selection in the financials and industrials sectors.

### Currency allocation was broadly neutral for relative returns

The positive impact of the underweight position in the weak Australian dollar was broadly offset by the underweight position in the strong Swiss franc.

## Investment Strategy

Mondrian's bottom-up fundamental research process utilizes a long-term dividend discount model to isolate value at the individual security level, in an approach that makes valuations comparable across differing markets and sectors. The following positioning is a consequence of this investment philosophy:

	Overweight Positions	Underweight Positions
Country Positioning	Asia Pacific United Kingdom	Australia Switzerland
Sector Positioning	Utilities Communication services Energy	Materials Consumer staples Real estate

Sector Allocation	Mondrian (%)	MSCI EAFE (%)	Country Allocation	Mondrian (%)	MSCI EAFE (%)
Financials	15.6	17.0	<b>Pacific</b>	<b>41.9</b>	<b>34.9</b>
Consumer Discretionary	14.3	13.0	Australia	0.3	7.2
Industrials	14.3	15.5	Hong Kong	7.1	3.3
Health Care	13.6	12.4	Japan	28.0	23.2
Information Technology	10.3	9.1	Singapore	3.9	1.1
Utilities	8.2	3.4	Other Pacific	2.7	0.2
Communication Services	7.6	4.9	<b>Europe &amp; Middle East</b>	<b>57.4</b>	<b>65.1</b>
Energy	6.8	3.2	Denmark	1.4	2.6
Consumer Staples	6.3	10.5	France	8.5	11.5
Materials	2.3	7.9	Germany	7.7	9.4
Real Estate	—	3.0	Italy	5.6	2.5
Cash	0.7	—	Spain	4.6	2.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	Sweden	2.1	3.8
			Switzerland	4.1	9.8
			United Kingdom	23.4	14.4
			Cash	0.7	—
			<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Portfolio Managers

### Elizabeth A. Desmond

Director and Chief Investment Officer  
International Equities  
Founding Partner

### Nigel A. Bliss

Senior Portfolio Manager  
Partner

### Andrew R. Porter

Senior Portfolio Manager  
Partner

### Alex D. Simcox

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

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7. There can be no assurance that the investment objectives of the strategy will be achieved.
8. All characteristic data provided is produced using Mondrian's accounting system data.
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