

Mondrian Emerging Markets Small Cap Equity

Emerging Markets Small Cap at a Glance

- Total Product Assets: USD 529.2 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: 70-120

Our Organization

- Founded in 1990, with over 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 57 investment professionals in London

Performance Summary (USD)

Composite	Composite (Gross) %	Composite (Net) %	MSCI EM Small Cap %
Cumulative			
Q321	-2.44	-2.67	-2.16
Annualized			
1 Year	33.78	32.52	43.24
3 Years	13.78	12.71	13.11
5 Years	7.66	6.65	9.75
7 Years	4.58	3.60	6.17
SI Nov 1, 2011	7.79	6.78	6.27

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 3, 2021	-2.44%	-2.67%	-2.16%

Market Background

The MSCI Emerging Markets Small Cap Index fell -2.2% in the third quarter of 2021 (all returns in USD)

Emerging markets underperformed developed markets during the quarter, amid the stronger US dollar and a sell-off in China where regulatory actions, fears of contagion from the Evergrande debt crisis and power shortages weighed on investor sentiment. However, the emerging markets small cap asset class was relatively resilient, declining -2.2%, compared to the large cap asset class, down -8.1%, as it benefited from lower exposure to China.

Latin America was the weakest region over the quarter

Latin America was the weakest performing region over the quarter, declining -14.7%. Brazil was the worst performing market within both the region and the Index, down -18.7%. Sentiment in Brazil suffered from elevated political noise, inflation continuing to rise at an accelerated pace and uncertainty around the economic recovery. Chile was also notably weak, down -17.7%, weighed down by weaker industrial metal prices. Asia slightly outperformed the Index, albeit still down -1.0%. China/Hong Kong was the weakest market in the region, falling -13.2%. The announcement of a new regulatory framework for the Chinese education and technology sectors triggered initial market weakness leading to investor concerns that regulatory scrutiny could intensify or be extended to other sectors. Sentiment further deteriorated as potential default of the property developer Evergrande raised concerns over potential systemic financial system risks, while power shortages negatively impacted industrial production and the economic outlook. The bearish market sentiment from developments in China spilled over into the wider region, with South Korea and Taiwan down -5.0% and -4.0% respectively. India was the best performing market in the region and the Index, rising 12.9%, benefitting from continued economic recovery and a pick-up in COVID-19 vaccination rates. The Europe, Middle East and Africa region outperformed the Index, up 1.0%. Poland was a notable outperformer, gaining 6.5%, supported by accommodative monetary policies. Energy exporting countries also fared well due to a rising oil price led by Qatar and Kuwait, up 3.5% and 2.6% respectively.

Energy was the best performing sector over the quarter

The Energy sector was the best performing sector over the quarter, up 7.5%, helped by rising energy prices. The Utilities and Materials sectors also fared well, returning 4.4% and 3.8% respectively. The Information Technology sector declined -0.9%, whilst the Consumer Staples and Consumer Discretionary sectors lagged the broader Index, declining by -3.7% and -8.7% respectively. The Health Care sector was the worst performing sector over the quarter, falling -11.8%.

Exchange rate movements had a negative impact on US dollar returns

Most major currencies weakened relative to the US dollar during the third quarter. The Chilean peso and Brazilian real were the worst performing currencies, declining -10.4% and -7.9% respectively. The South African rand and South Korean won were also notably weak, falling -5.1% and -4.9% respectively. The Indian rupee was flat across the quarter; whilst the Indonesian rupiah was the best performing currency, up 1.3%.

Performance Attribution for the Third Quarter

The Mondrian Emerging Markets Small Cap Net Composite performed broadly in line with the Index in the third quarter, down -2.7%. The portfolio benefitted from strong stock selection in Taiwan and its positioning in Brazil and India. Negative contributions came from the portfolio's positioning in China/Hong Kong and stock selection in South Korea.

Country Allocation	Mondrian (%)	MSCI EMSC Index (%)	Sector Allocation	Mondrian (%)	MSCI EMSC Index (%)
Latin America	6.3	9.2	Communication Services	1.2	4.0
Brazil	3.2	6.0	Consumer Discretionary	12.7	11.2
Mexico	2.0	1.8	Consumer Staples	8.5	5.9
Peru	1.1	0.1	Energy	–	2.2
Europe, Middle East & Africa	11.4	13.6	Financials	6.7	10.5
Czech Republic	1.0	0.0	Health Care	14.0	8.7
Estonia	0.5	–	Industrials	10.7	15.5
Kuwait	1.1	0.9	Information Technology	28.0	18.6
Poland	2.0	1.5	Materials	9.7	12.9
Saudi Arabia	4.2	2.4	Real Estate	7.4	6.4
Slovenia	0.7	–	Utilities	–	4.1
Sweden	0.2	–	Cash	1.1	–
UAE	1.7	0.6	Total	100.0	100.0
Asia	81.1	77.2	Characteristics	Mondrian (%)	MSCI EMSC Index (%)
North Asia	43.0	47.3	Total Product Assets	\$529 million	–
China/Hong Kong	13.6	8.7	Number of Holdings	88	1,817
South Korea	9.1	17.5	Weighted Average Market Cap	\$2.5 billion	\$2.0 billion
Taiwan	20.3	21.1	Median Market Cap	\$1.7 billion	\$1.0 billion
South Asia	38.2	29.9			
India	30.5	20.5			
Indonesia	2.5	1.6			
Malaysia	1.2	3.1			
Philippines	2.4	0.9			
Singapore	1.0	–			
Thailand	0.6	3.4			
Cash	1.1	–			
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.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any Fourth party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

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.
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.
10. This Quarterly Update may include forward-looking statements. All statements other than statements of historical facts are forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those reflected in such forward-looking statements.
11. This introductory material is for informational purposes only and is not an offer or solicitation with respect to any securities. Any offer of securities can only be made by written offering materials, which are available solely upon request, on an exclusively private basis and only to qualified financially sophisticated investors. The information set forth herein is a summary only and does not set forth all of the risks associated with the investment strategy described herein.
12. For institutional investors and professional financial advisers only.
13. It should not be assumed that investments made in the future will be profitable or will equal the performance of any security referenced in this piece. Examples of securities bought or sold may not represent a complete list of all transactions in the period. Holdings are subject to change.
14. Mondrian Investment Partners Limited is authorized and regulated by the Financial Conduct Authority.