

Mondrian Emerging Markets Small Cap Equity

Emerging Markets Small Cap at a Glance

- Total Product Assets: USD 293.0 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 1.9 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 45 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 59 investment professionals in London

Performance Summary (USD)

Composite	Composite (Gross) %	Composite (Net) %	MSCI EM Small Cap %
Cumulative			
Q422	5.67	5.42	8.20
Annualized			
1 Year	-16.02	-16.81	-18.02
3 Years	6.25	5.25	5.11
5 Years	2.59	1.63	1.06
7 Years	4.41	3.43	5.38
10 Years	3.75	2.78	3.21
SI Nov 1, 2011	5.61	4.62	3.80

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 4, 2022	5.67%	5.42%	8.20%

Market Background

The MSCI Emerging Markets Small Cap Index rose 8.2% in the fourth quarter of 2022 (all returns in USD)

The MSCI Emerging Markets Small Cap Index rose strongly in the fourth quarter, particularly in November, driven by expectations of a peak in inflation globally as well as signs of improving US-China political relations and China relaxing their zero-COVID policy. Market buoyancy cooled towards the end of the period, as major central banks maintained their hawkish tone despite weaker macroeconomic data. The US dollar weakened significantly over the quarter supporting equity market returns.

Europe, Middle East and Africa was the best performing region over the quarter

The Europe, Middle East and Africa region grew 12.3%. Turkey was the best performing market within the region, up 74.6% as the central bank continued to cut interest rates despite sharply rising inflation. Poland and Hungary also performed strongly, up 38.2% and 27.7% respectively, following periods of underperformance due to the ongoing conflict in Ukraine. Qatar and Saudi Arabia were notable laggards within the region, down -8.3% and -6.2% respectively, as energy prices fell towards the end of the year. Asia was broadly in line with the Index, gaining 8.0% over the quarter. China was the strongest market in the region, up 21.4%, as investors anticipated a re-opening of the Chinese economy. South Korea gained 19.2%, as positive equity performance was supported by a sharp appreciation of the won, recovering from its lowest point since the Global Financial Crisis (GFC). Indonesia and India declined -7.6% and -1.8%, respectively. Latin America was the weakest performing region over the quarter, rising 3.8%. Chile and Mexico performed strongly, up 30.2% and 20.8% respectively, while Colombia and Brazil weighed on regional performance, down -6.8% and -4.0% respectively, with the latter facing headwinds due to policy uncertainty.

Health Care was the best performing sector over the quarter

Defensive sectors performed strongly over the quarter amidst concerns of a global economic slowdown with Health Care and Consumer Staples rising 11.2% and 10.8%, respectively. The Financials sector was also up 11.2%, on the back of the rising interest rates. Consumer Discretionary was the worst performing sector, gaining 3.4%, as elevated inflation levels continued to impact consumers' purchasing power.

Exchange rate movements had a positive impact on US dollar returns

European local equity markets were further supported by strong currency returns with the Hungarian forint, Polish zloty and Czech koruna up 15.1%, 12.6% and 10.8%, respectively. In Asia, the South Korean won and Thai baht fared particularly well, up 13.1% and 8.9% respectively. The Indonesian rupiah and Indian rupee declined in line with their weak equity market performance, falling -2.2% and -1.7% respectively. The Mexican peso and Brazilian real gained 3.2% and 2.4%, respectively.

Performance Attribution for the Fourth Quarter

The Emerging Markets Small Cap net Composite gained 5.4% during the quarter but was unable to fully keep up with strong equity markets, lagging the Index by -2.6%. The portfolio's performance was held back due to its underweight exposure to the strong South Korean won as well as its lack of exposure to the volatile Turkish market. The portfolio's overweight exposure to India also detracted from performance. Positive contributions came from the portfolio's positioning in the Latin America region and strong stock selection in Taiwan.

Performance Attribution for 2022

After three consecutive years of positive returns, 2022 was a weak year for global equity markets, characterized by rising inflation, slower economic growth and heightened political tensions, resulting in the Emerging Markets Small Cap Index falling by -18.0%. The Emerging Markets Small Cap net Composite exhibited defensive characteristics during this period, particularly in the weaker second and third quarters, and outperformed the Index by 1.5% for the year. The portfolio benefited from its positioning in India and the Middle East region as well as strong stock selection in Taiwan and the South East Asian markets. The portfolio also benefited from its underweight exposure to the weak South Korean market. Negative contributions came from the portfolio's lack of exposure to the strongly rising Turkish market as well as stock selection in Brazil and Poland.

Country Allocation	Mondrian (%)	MSCI EMSC Index (%)	Sector Allocation	Mondrian (%)	MSCI EMSC Index (%)
Latin America	9.0	8.7	Communication Services	1.7	4.0
Brazil	4.2	5.6	Consumer Discretionary	11.4	11.3
Chile	1.5	0.8	Consumer Staples	10.5	6.6
Mexico	1.9	2.1	Energy	0.9	2.5
Peru	1.4	–	Financials	6.8	10.8
Europe, Middle East & Africa	12.7	14.0	Health Care	12.7	9.4
Czech Republic	0.6	0.1	Industrials	14.0	15.6
Kuwait	1.5	1.2	Information Technology	23.2	15.9
Poland	1.0	1.1	Materials	5.6	13.3
Qatar	1.3	1.0	Real Estate	9.7	7.0
Saudi Arabia	5.0	3.0	Utilities	2.1	3.5
Slovenia	0.6	–			
Sweden	0.6	–			
UAE	2.1	0.8			
Asia	76.9	77.2	Cash	1.3	–
North Asia	33.0	43.3	Total	100.0	100.0
China	8.3	10.0			
Hong Kong	2.3	–			
South Korea	5.8	13.8			
Taiwan	16.6	19.5			
South Asia	43.9	33.9	Characteristics	Mondrian (%)	MSCI EMSC Index (%)
India	32.1	23.0	Number of Holdings	81	1,827
Indonesia	5.9	2.6	Weighted Average Market Cap	\$2.0 billion	\$1.5 billion
Malaysia	2.3	2.9	Median Market Cap	\$1.5 billion	\$0.9 billion
Philippines	2.3	1.1			
Thailand	1.2	4.3			
Cash	1.3	–			
Total	100.0	100.0			

Portfolio Managers

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Managing Partner

Graeme Coll

Head of Emerging Markets Small Cap
Partner

*Please note that the Sector Allocation and Country Allocation are based upon a portfolio as of January 3, 2023. Aside from Total Assets, which are as of December 31, 2022, the Fund Characteristics are as of January 3, 2023 as well. In order to accommodate several transactions, the December 31, 2022 portfolio reflected a higher than normal cash position. We believe the portfolio as of January 3, 2023 better reflects the holdings of the Fund as of the end of December. The Index information shown is as of December 31, 2022.

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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