

## Q2 2024 - Emerging Markets Quarterly Update

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Hello, I'm Rakesh Bordia, one of the core portfolio managers on our Emerging Markets Focus strategy. Last quarter for Emerging Markets was again a good quarter. After a positive first quarter, Emerging Markets were up another 5%. But as has been the case in the previous quarters, China and the rest of Emerging Markets danced to a different tune.

Just to put it in context, in the first two months of the quarter, China was up around 6%, while the rest of Emerging Markets was down around 1.7%. That reversed in June, where the rest of Emerging Markets was up 6%, and China was down 2.5%. So, all in all, Emerging Markets were up about 5%, and there was a wide dispersion across countries as well. As we have seen in the past, in Emerging Markets, Turkey was up 20+%, whereas Mexico was down double digits.

In terms of sectors, Information Technology was the strongest, whereas Healthcare and Materials were weak. Our portfolio in the quarter underperformed both the MSCI EM Style Neutral and Value Indices by about 2%. From a country standpoint, most of our underperformance came from our Brazilian names and being underweight in India, which did quite well over the quarter.

Now, as you already know, we are primarily stock pickers, so a lot of our performance is driven by individual stocks. In the last quarter, just to put some examples in here, our strongest performer was Hanh High. Hanh High is the world's largest assembler of electronics, and it did fairly well because it is the single sole supplier of assembly for Nvidia's GPU units. That really propelled the stock to new heights, and the stock did fairly well.

Our two biggest detractors in the quarter were Bank Rakyat in Indonesia and Ambev in Brazil. Bank Rakyat in Indonesia is the leading franchise for microfinance, but it is facing some credit issues right now, and that's why the stock was weak. We believe that the company is very well-capitalized and can completely address these issues. It's a short-term problem that they should be able to overcome over the next few years.

Another weak performer for us was Ambev, which is the largest beer producer in Brazil. While the company performed well throughout the quarter, Brazil was weak. More importantly, there is talk of taxation that really impacted Ambev negatively in the quarter.

Last quarter was also an active quarter for the portfolio. We added four new names to the portfolio, and they were all from different countries in different sectors. We added a window shades manufacturer, Ade, which is listed in Taiwan. We added a Kazakhstan financial services company called Caspi, a Hungarian refiner called Mol Group, and a Chinese auto dealership called Zong Shang.

Ade is the global leader with 50% market share of ready-made blinds and custom shutters. We believe that their superior margin is sustainable because of their low-cost manufacturing, and

they are deeply vertically integrated with factories in China and Mexico and now opening in Vietnam. They've also been gaining tremendous share in custom blinds, and we think that share gain should continue over time.

Caspi is the leader in Kazakhstan in e-commerce platforms, payment processing, and consumer lending, all through an integrated app. This platform gives them an unrivaled customer base and an environment that they can capitalize on to grow their earnings sustainably while generating pretty high dividends for the existing investors.

As you will see, the volatility in Emerging Markets creates these individual opportunities, which are great franchises trading at very attractive valuations. That's what we strive to build our portfolio with. The continued volatility and uncertainty in Emerging Markets poses great opportunities for us, so we are very excited about the new opportunities coming into our portfolio.

Thank you very much.

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