

# ALL-CAP EMERGING MARKET EQUITY STRATEGY

## At a glance

### Performance

The Portfolio returned 4.70% (gross) and the MSCI Emerging Markets Index<sup>SM</sup> returned 2.44%.

### Contributors/detractors

Stock selection in the consumer discretionary sector contributed to relative performance. Stock selection and an overweight in the healthcare sector detracted.

### Outlook

We continue to seek longer-term trends that we believe are creating attractive opportunities for emerging market companies.

## Portfolio management



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## Investment environment

- Emerging market stocks rose on hopes of improved global economic growth and increased investor appetites for risk. Emerging market stocks underperformed the broader global equity market, however.
- Central bank policy remained a source of uncertainty for global markets as the U.S. Federal Reserve signaled a more gradual approach to potential interest rate cuts.
- While most emerging markets have seen improved economic fundamentals, China remained an outlier due to concerns over consumer spending and fixed investment. As a result, stocks in China underperformed the broader emerging markets.

## Portfolio review

We were pleased to see several of our Indian investments deliver strong relative performance for the quarter. These included MakeMyTrip, an online travel agent capitalizing on accelerating travel spending by higher-income consumers in India. MakeMyTrip has invested heavily in its business in recent years. These efforts helped it expand both market share and margins, while delivering strong revenue growth and profitability. We see a long runway of growth for MakeMyTrip given its dominant market position.

Relative performance also benefited from our investment in Nu Holdings, a digital bank that has become one of Latin America's premier financial brands. The company has

earned high returns on investment in Brazil, where over half of the adult population are customers. We have been impressed with its ability to navigate a challenging economic backdrop while adding new customers and delivering increased profitability. The bank has been particularly effective in using AI and credit writing algorithms to underwrite loans to higher risk borrowers while managing downside risk. Nu Holdings is now looking to replicate this success in other Latin American markets. We believe Nu Holdings is one of the most attractive business models in the emerging markets.

Relative performance was hindered by our investment in New Horizon Health. This healthcare company hopes that its noninvasive, easy-to-use, highly accurate, and reasonably priced ColoClear test will transform the detection and treatment of colorectal cancer in China. New Horizon has continued to execute on its business plan as it has moved closer to profitability. Despite this progress, the stock has faced headwinds amid an anticorruption campaign aimed at China's broader healthcare sector, even though New Horizon was not a target of the inquiry. We hope we will see this headwind ease in the second half of the year as this campaign winds down, allowing investors to once again recognize New Horizon's market potential and track record of innovation.

Hong Kong-based global insurer AIA Group was another relative detractor. The company has a significant footprint in China, where weaker consumer spending has hurt demand for insurance products. Despite near-term macroeconomic

uncertainty, we remain positive on the company's balance sheet and fundamentals. We are also constructive on long-term trends for the global insurance industry, supported by innovation and rising living standards.

### Manager outlook

We are cautiously optimistic about prospects for the global economy despite uncertainty over inflation and central bank policies. We also recognize the risks attached to an increasingly complex geopolitical environment. We are closely monitoring developments in countries — from India to Mexico to South Korea — that face elections that will have important ramifications for economic growth, trade policies, and government regulation. Uncertainty ahead of these elections could add to near-term market volatility. By the end of the year, however, we believe we will have more clarity on the progress of economic reforms in a number of the markets where we invest.

We also remain excited about many developments in the emerging markets. These include an explosion of entrepreneur-led innovation, supported by highly digitally connected economies, high levels of STEM education, and strong government and regulatory policy support. We have also been pleased to see increased focus on corporate governance in countries such as South Korea, where we have started to add exposure. We also remain on the lookout for opportunities created by the rearchitecting of global supply chains, as companies look to diversify their exposure away from China. In our view, the resulting capital investment may provide a long-term structural tailwind for GDP growth in countries such as Mexico, India, Vietnam, and Indonesia. In seeking to capitalize on these broad-based opportunities, we remain committed to our three-lens approach that looks for high-quality companies, with strong governance structures, in favorable countries. We believe this approach could lead to positive long-term outcomes for our investors.

## All-Cap Emerging Market Equity Strategy (as of 03/31/24)

### Performance - USD (%)

Returns	Cumulative			Annualized			
	1Q24	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (10/01/19)
Composite (gross)	4.70	4.70	8.02	-6.64	—	—	3.74
Composite (net)	4.42	4.42	6.85	-8.03	—	—	2.11
MSCI Emerging Markets Index <sup>SM</sup>	2.44	2.44	8.59	-4.68	—	—	3.70

**Past performance cannot guarantee future results.** Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars unless otherwise stated. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes (if any and unless otherwise noted), and reflect the reinvestment of dividends and other earnings.

### Portfolio

Top Holdings (%)	Fund
Samsung Electronics	10.12
Taiwan Semiconductor Manufacturing	9.06
HDFC Bank	3.56
BBB Foods	2.98
Wal-Mart de Mexico	2.77
Bharti Airtel	2.75
Tencent	2.59
Alfa Group	2.45
Grupo Financiero Banorte	2.31
ICICI Bank	2.25
<b>Total</b>	<b>40.84</b>

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## Definitions

Monetary policy refers to the policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money.

Quantitative tightening (QT) is a government monetary policy occasionally used to decrease the money supply by either selling government securities or letting them mature and removing them from its cash balances.

Volatility measures risk using the dispersion of returns for a given investment.

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The gross performance results presented do not reflect the deduction of investment advisory fees. Returns will be reduced by such advisory fees and other expenses as described in the individual contract and, where applicable, Form ADV Part 2A.

Net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite but do reflect the deduction of model investment advisory fees based on the maximum fee rate in effect for the respective time period, adjusted for performance-based fees where applicable. Actual advisory fees may vary among clients invested in the strategy and may be higher or lower than model fees. Returns for each client will be reduced by such fees and expenses as described in the individual contract and, where applicable, in Form ADV Part 2A.

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All-Cap Emerging Market Equity Composite, benchmarked to the MSCI Emerging Markets Index, includes portfolios that seek to achieve strong risk-adjusted returns through market cycles by investing in equity securities of companies exposed to emerging market countries. The investment process combines a bottom-up, fundamental research approach with top-down macro analysis that looks to create an all-cap portfolio of best ideas. Portfolios generally contain 50 to 70 securities. The composite was created in October 2019.

Information relating to portfolio holdings is based on the representative account in the composite, which reflects the typical portfolio management style of the investment strategy. Other accounts in the strategy may vary due to asset size, client guidelines and other factors.

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## Investing involves risk, including the possible loss of principal and fluctuation of value.

Discussion is based on performance gross of fees.

Index returns are provided to represent the investment environment existing during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains.

Index returns do not include any transaction costs, management fees or other costs, and are gross of non-reclaimable withholding taxes, if any and unless otherwise noted.

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