EMERGING WEALTH UPDATE

Week Ending February 12, 2021

GW&K INVESTMENT MANAGEMENT

Market Performance

For the week ended February 12, 2021, Emerging Market equities increased by 2.4%, led by strong performance from China as well as commodity oriented countries including South Africa, Chile, Saudi Arabia and Peru. For the year to date, the MSCI EM Index increased by 11%, led by China with an 18.1% return as fundamentals in China suggest an improving outlook for the year ahead. Taiwan has performed well with an increase of 12.5% driven by expectations of continued strength in technology. Russia and Brazil have been among the weaker performing countries with returns 3.8% and -2.6% respectively. India has modestly underperformed with a return of 7.9%. The strongest sectors for the year-to-date are those sectors focused on discretionary spending and technology. The Communication Services, Consumer Discretionary and Technology sectors are up 25.6%, 18.4% and 10.5% respectively. Surprisingly, a very strong rebound in the price of oil has not helped the Energy sector which has lagged with a return of 4.9%. The Growth style of management is materially outperforming the Value style for the year-to-date with a return of 13.4% compared to the Value style with a return of 8.1%. The Value style may have a material rebound in 2021 driven by a global recovery and potential upward pressure on interest rates. We believe this rebound is unlikely to be sustained and investors will eventually focus on sustainable earnings growth. We would generally view weakness in the Growth style of management in Emerging Markets as an opportunity to increase allocation. In a world starved for growth, the Emerging Market consumer, particularly in Asia stands out as an attractive long-term investment opportunity.

China Healthcare – A Primer to the Fastest Growing Healthcare Market in the World

The Chinese healthcare market is on track to be the fastest growing market in the world. The Chinese government is on a mission to improve both the quality and accessibility of healthcare for 1.4 billion people, and is not only critical to improving the quality of life for many Chinese citizens, but is also critical for accelerating the shift to consumption by bringing down the savings rate. Today, China spends approximately 7% of GDP on healthcare, which compares to the U.S. at more than 17%. Over the next five years, healthcare expenditures in China are expected to increase to 10% of GDP. Private companies that have the ability to improve access and the quality of healthcare at reasonable cost have a very long runway for growth. The system is complex, and resolving legacy problems takes time, but the pace of reform is accelerating and there are several categories where leading companies are emerging.

In online doctor consultations, China leads the world with over 700 million consultations already completed with sophisticated Artificial Intelligence increasingly taking a larger percentage of the workload. This is already serving to reduce bottlenecks at hospitals allowing doctors to spend more time with patients that need in-person visits. Online doctor consultation combined with health check-ups are facilitating a digital database for patients accelerating the

development of the commercial healthcare insurance market. In pharmaceuticals, China has instituted a volume-based purchasing scheme which facilitates lower drug prices for generic drugs. Prices are coming down in many categories, but this is being offset by volume growth. Incentives have been put in place for the reimbursement of innovative drugs, and in this regard, China has leading pharmaceutical and biotechnology companies with prospects in disease categories that have the potential to rival best-in-class drugs from multi-national drug companies.

We see China being on track to provide healthcare at a much higher level than where it is today. The country is integrating digital technology into all areas of healthcare including database management, care prioritization, cost management, and delivery of services. We expect China to lead the world with respect to digital healthcare. The changes we are witnessing suggest China's healthcare efficiency may rival best-in-class countries over the next 10 years. This sets the stage for the rapid development of the commercial healthcare insurance market, which today only covers 5% of healthcare costs.

Currently, the healthcare sector represents 11% of the GW&K's Emerging Wealth Strategy as we continue to believe this sector is an important pillar for long-term growth. We own leading private Chinese companies that are in a position to facilitate the government's long-term goal of improving the quality of healthcare, and access to healthcare at reasonable cost relative to GDP. We currently own leading companies in online doctor consultation, online prescription drugs and health check-up centers as well as leading pharmaceutical and biotech companies. We believe these companies are well positioned in the fastest growing healthcare market in the world. To provide some perspective for the growth potential, the combined revenues of all of the Chinese companies we own is less than $15 billion which is less than 25% of Pfizer's expected revenues for 2021. In essence, these companies each have a leadership position with a smaller revenue base in the fastest growing healthcare market in the world.

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