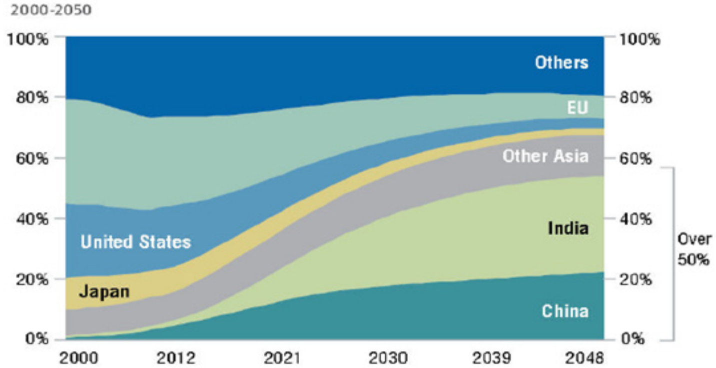
EMERGING WEALTH INSIGHTS

Developed vs Emerging Markets: A Global Shift in Consumption from West to East

India and China, each with populations of more than 1.3 billion people, will dominate global consumption over the next 25 years. From relatively low per capita income levels — $2,000 for India and $11,000 for China — these two countries are poised to outgrow the United States, Europe, and Japan. Within the next 10 years, their combined middle-class consumption will be larger than the US. By 2048, India and China are expected to account for over 50% of global consumption, while the United States and Europe will account for less than 15%.[1] Multinational companies recognize the opportunity this material shift in consumption will provide, and have been investing for decades to capitalize on the growth potential and the increasing demand for consumer goods and services from India and China. For these companies, the opportunity is too big to ignore. We believe the same principle applies to investors.

EM MIDDLE CLASS CONSUMPTION TO EXCEED 50% OF WORLD CONSUMPTION BY 2050



Source: OECD Development Centre, Working Paper No. 285, "The Emerging Middle Class in Developing Countries," Homi Kharas.

Our Emerging Wealth Strategy is a rare approach to investing in emerging market equities, as it is unconstrained by region and sector and focuses on best-in-class businesses serving emerging market consumers regardless of country of domicile.[2] We believe this to be a unique and exciting way to invest in emerging markets. The strategy is designed to benefit from two secular trends: 1) rising per-capita income

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in emerging markets; and 2) the shift towards domestic consumption in emerging market economies, rather than those economies being dependent on exports to developed markets for growth.

In contrast to other emerging market strategies, we are focused on owning good companies with exposure to the most rapidly growing consumer markets in the world instead of a benchmark. Over long periods, stock price appreciation equals earnings growth plus or minus changes in valuation levels. We place emphasis on a company's ability to grow earnings over many years – the most critical driver of a stock's return. Stock prices are more volatile than the underlying businesses and can be influenced by economic and geopolitical concerns as well as market sentiment. As a result, we can take advantage of that volatility, investing in some of the best companies in the world at attractive valuation levels. Our returns are also more volatile. When emerging markets are out of favor, as they have been over the past two years, an opportunity arises to add to our Strategy. We hope that investors with a deep understanding of our approach will realize the advantage this opportunity presents.

The Emerging Wealth Strategy is concentrated (40 – 60 stocks) and has a relatively high percentage in the top 10 holdings. Investors in the Strategy derive more comfort from the quality of the underlying companies we own and the growth of the underlying markets than from diversification, to reduce the short-term tracking error. We have limited or no exposure to countries where the rate of growth has stalled or to sectors with limited growth potential, or where the companies are run for the benefit of the government.

Our goals for the Emerging Wealth Strategy are ambitious. We not only seek to produce strong returns for investors, but we hope to change investor perception about emerging markets and the investor experience. Instead of trading emerging market equities based on macro or currency factors, we are investing for the underlying superior growth that selected franchises have the potential to produce over several years. We also believe an ongoing level of communication helps investors feel connected to what's happening in our Strategy, especially during difficult times. We encourage investors to reach out to us with questions to gain a deeper understanding of the potential for the Strategy.

We realize that for many readers, investing in a strategy with high exposure to emerging market consumers is new, and we recognize that some investors may not be comfortable with our Strategy because of a higher tracking error and the amount of exposure to China and India. However, our Strategy may fit well into the portfolios of long-term investors who believe world dynamics are changing and who recognize the ongoing shift from West to East, as we do. We suggest an initial investment consistent with your comfort level, which may lead to a larger allocation consistent with your long-term objective and risk profile as your understanding and comfort builds. We encourage an open dialogue and hope in future commentaries to continue to address your questions as we expand on the opportunity we see ahead.

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[1] OECD Development Center, Working Paper No. 285, "The Emerging Middle Class in Developing Countries," Homi Kharas

[2] Our Emerging Wealth presentation covers the case for the Emerging Wealth approach, the

EMERGING WEALTH INSIGHTS *continued*

INDEX PERFORMANCE

August 31, 2022	RETURNS		
Index	**MTD**	**QTD**	**YTD**
MSCI Emerging Markets	0.42%	0.17%	-17.49%
MSCI World Index	-4.18%	3.43%	-17.78%
MSCI EM EMEA	-0.79%	2.67%	-26.50%
MSCI EM Latin America	2.72%	7.10%	6.49%
MSCI EM Asia	0.36%	-0.92%	-17.96%
MSCI Emerging Markets Growth	0.70%	1.08%	-20.22%
MSCI Emerging Markets Value	0.11%	-0.80%	-14.57%

Source: FactSet

August 31, 2022	RETURNS BY SECTOR		
MSCI Emerging Markets Index	**MTD**	**QTD**	**YTD**
Financials	1.00%	2.74%	-6.77%
Information Technology	-3.06%	1.15%	-28.86%
Consumer Discretionary	2.54%	-5.10%	-15.68%
Communication Services	1.09%	-4.98%	-24.48%
Consumer Staples	-0.80%	0.64%	-11.52%
Industrials	0.91%	2.68%	-9.53%
Health Care	-2.73%	-1.49%	-22.74%
Materials	0.06%	0.89%	-17.28%

Source: FactSet