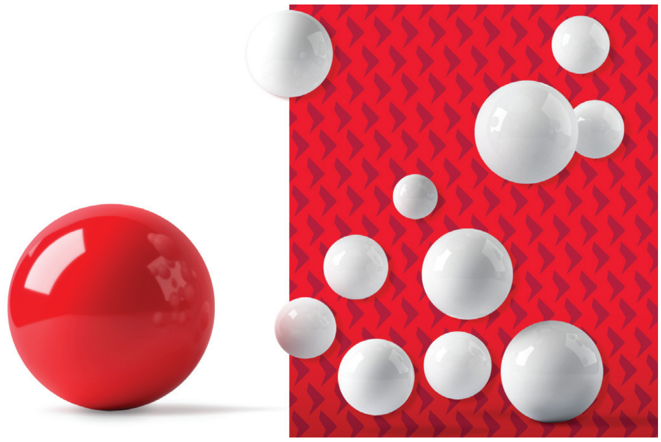
Global Emerging Markets Dynamic Strategy

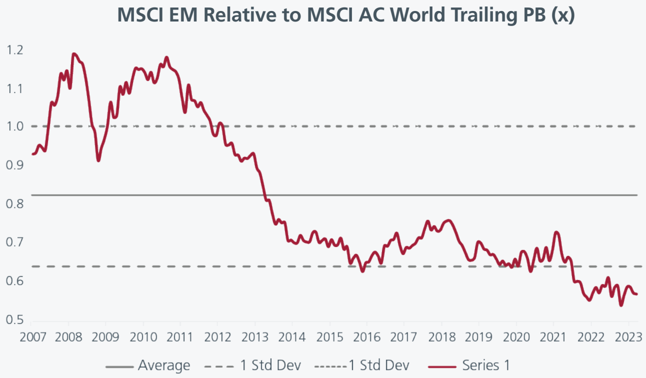


Why invest in Global Emerging Markets ("GEM")

Global emerging markets ("GEM") are expected to grow 3.3% in 2023, surpassing the growth of the developed economies[1]. The GEM universe, which consists of Emerging Europe, Middle East, Africa, Latin America and Asia, offers investors exposure to multiple regions with diversified growth drivers and the opportunity to invest in globally leading businesses.

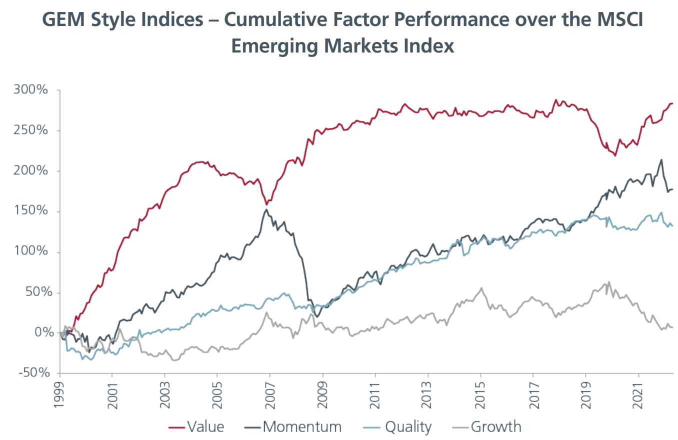
Meanwhile, GEM equities are currently trading below their long term average valuations and are very cheap compared to developed-market equities. (Fig 1)

Fig 1: Global emerging markets are cheap relative to developed markets[1]



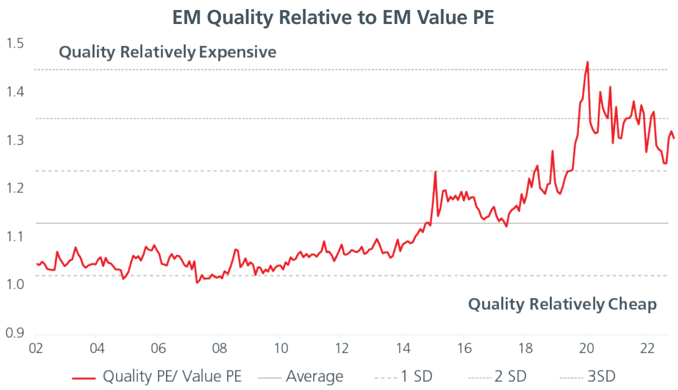
Within GEM, value stocks have historically outpaced their growth counterparts over the long term and have seen this outperformance re-assert itself over the past 2 years. (Fig. 2)

Fig 2: In GEM equities, value has outperformed over the longer term[2]



The potential for further outperformance of value stocks within GEM appears significant. Despite value stocks' recent outperformance, they remain attractively priced relative to growth and quality stocks. This is because investor bias for growth and quality stocks, especially those in the e-commerce space, in the preceding years have inflated prices beyond their underlying fundamentals. (Fig. 3). We also see a more supportive macroeconomic environment for Value outperformance going forward.

Fig 3: Quality and growth names are extremely expensive[3]



Why Eastspring for Global Emerging Markets

Eastspring Investments is a global asset manager with Asia at its core. Since 1994, we have built an unparalleled local presence in 11 Asian markets and distribution offices in North America and Europe.

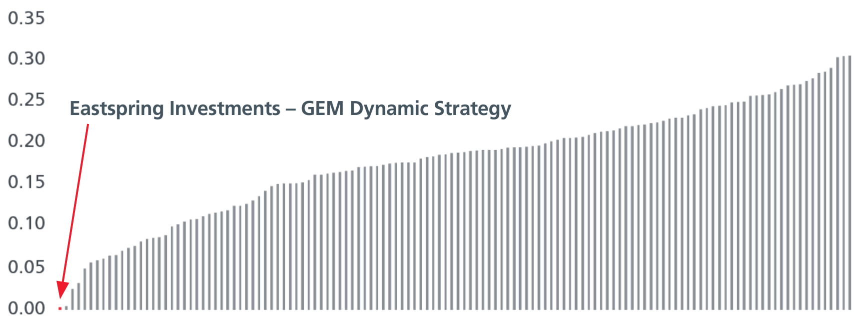
Asia accounts for 70% of the GEM universe. Eastspring Investments' headquarters in Singapore places us at the heart of Asia, close to many of the markets in which we invest. Our team's focus and experience in this region help us navigate the complex GEM universe for our investors.

Our Value approach to unlocking alpha in emerging markets

We believe that the next five years are likely to be very different from the last decade as global market valuations and global central bank policies normalize. In response to the Global Financial Crisis, central banks and governments focused on easing monetary policy and strengthening the banking system. With no inflation, cheap money and excess liquidity, the market favoured the services, technology and other "new economy" sectors and companies which had capex/asset light business models. However, post COVID-19, what we see going forward are policy responses focused on productive assets, more capex spending, reshoring of manufacturing, supply chain diversification, and decarbonization – all which favour "real economy" sectors and companies. Against this dynamic, we are also seeing substantial inflationary pressures along with rising interest rates which historically are positive for value stocks while presenting headwinds for expensive growth and quality stocks.

A Value approach to GEM investing has delivered outperformance over the long term, taking a differentiated approach can also give diversification benefits to clients. With 95% of our GEM equity peer group portfolios biased towards growth / quality investing, we believe our Strategy's portfolio of attractive Value stocks can offer prospects the compelling proposition of both potential upside capture and diversification away from their exposure to expensive growth / quality stocks. This diversification benefit is evidenced in Fig. 4 below.

Fig 4: Average correlation of active returns versus peer returns[4]



In a snapshot: Eastspring Investments – Global Emerging Markets Dynamic Strategy

- We aim to generate superior long-term returns for our clients by consistently applying our disciplined valuation approach to identify stocks that will outperform in GEM.
- The strategy is a concentrated portfolio containing 40-60 of our very best ideas across GEM. We look for solid valuation signals across the market, choosing stocks that may have fallen out of favour or whose price reflects a significant overreaction by the market.
- Rather than following the herd and being influenced by behavioural biases, our longer-term mindset allows us to focus on sustainable earnings and potentially capture sizeable, mispriced opportunities.
- Our GEM focus team consists of a diverse set of highly experienced managers with clearly defined responsibilities. They work within a unique culture that maximises challenge and debate. These factors are vital to executing our strategy and delivering repeatable performance to investors.

How we build the strategy

An ethical mantle

We believe the best investment decisions are made when environmental, social, and governance (ESG) factors are incorporated into our investment process.

- Eastspring Investments has an established responsible investing framework which includes stewardship and ESG policies that inform and govern our business and investment teams. Against this overarching framework, we have empowered each investment team to integrate these policies into their distinct investment approach and strategies, as we don't believe there is a one size fits all approach to ESG application.
- We embed ESG impact into company valuations. We assess material ESG risks to sustainable earnings and monitor the progress of such risks and opportunities in our "ESG dashboard".
- We believe that engaging with investee companies on ESG issues is essential to understanding and protecting the portfolio from financial and non-financial risks. As such, we vote on all resolutions (except when it is not in the best interests of our clients).

Our investment process

Our bottom-up, valuation-driven investment process has been designed to target mispriced equities in a disciplined and repeatable manner. It consists of four stages:

Idea generation: We use proprietary screens to identify valuation outliers and to systematically exploit behavioural mispricing. In identifying these outliers, we can focus our research resources on only the best ideas.

Fundamental analysis: We conduct extensive fundamental research to understand key drivers of sustainable earnings and valuations, as well as what is being priced by the market. Stocks with the highest shared team conviction and best upside potential make it to our conviction list.

Portfolio construction: We construct the portfolio with our highest conviction ideas while taking into account stock correlations and unintended risks. Stocks from this conviction list become the core positions in our GEM strategies.

Risk control and review: Ongoing review of the portfolio helps instil process integrity and sell discipline. Our robust risk framework is conducted by the GEM focus team, senior management and our independent risk oversight team.

Investment philosophy

We believe that:

- Value style can generate superior long term returns when applied to GEM strategies.
- Behavioural biases influence both investor expectations and risk appetites.
- Prices frequently move more than is justified due to shifts in investors' risk perceptions. True underlying value is not always reflected in stock prices. By detaching ourselves emotionally and with rigorous analysis and discipline over a longer time frame, we can exploit these opportunities.

Investment team lead

Andrew Cormie
Portfolio Manager

All investment decisions and outcomes are shared across the GEM Team. However, Portfolio Manager Andrew Cormie has the ultimate responsibility for the daily monitoring of the portfolio, overseeing trades and position sizing.

Strategy characteristics

Portfolio characteristics (as of 31 March 2023)

Active Share	89.6%
Estimated Strategy Risk	17.0%
Cash Weight	2.2%

Aggregate Valuation Ratios

	Fund	BM	Active
Price to book (F12m)	1.03x	1.68x	-0.64
Price to earnings (F12m)	9.66x	12.94x	-0.69
Dividend Yield (F12m)	3.94%	3.44%	0.50%
EV/EBITDA[#] (Last)	6.7x	12.1	-5.4
Sales Growth (3yr hist)	33.0%	35.0%	-2.0%
Earnings per share Growth (1yr estimates)	-1.6%	4.9%	-6.5%

[#]EV/EBITDA: Enterprise Value (EV) to its Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

Strategy details

Style: Value

Inception Date: 29 October 2010

Strategy AUM: USD 1,270 million
(as at end March 2023)

Benchmark: MSCI Emerging Markets Index

Source: [1]MSCI, Refinitiv Datastream, Eastspring Investments, 31 March 2023. Notes: PB = Price-to-book. DM is MSCI AC World Index PB, EM is MSCI AC Emerging Market Index PB. [2]Eastspring Investments, 31 March 2023. Market cap weighted. Returns of respective factors reflect the cumulative returns taking the performance of the bottom quintile of stocks from the top quintile of stocks, rebalanced on a monthly basis, from 31 December 1999. The style index described is unmanaged and not available for direct investment. Please note, there are limitations to the use of such style indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of, and should not be construed as being indicative of, or otherwise used as a proxy for the future or likely performance of the Strategy. [3]Macquarie Quantitative Research, 31 March 2023. Relative PE (price-to-earnings) of top quintile of quality (by Macquarie quality score) versus top quintile of value (by Macquarie value score) stocks in MSCI Emerging Markets. [4]eVestment, Eastspring Investments, as at 31 December 2022. Correlation of active returns calculated on all eVestment Emerging equity all cap universe (133 funds). Strategies with track records spanning December 2010 (Eastspring GEM Composite Inception) to current date specified. Chart is for illustrative purposes only.

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