

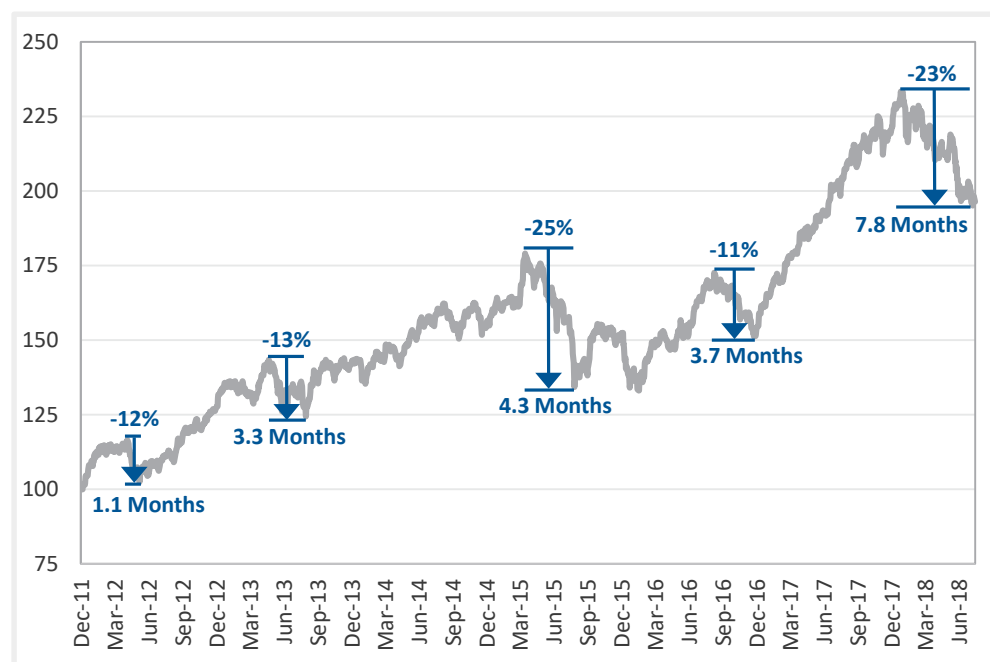
Viewing the Recent EM Drawdown from a Historical Context

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Emerging markets have had a difficult year with market sentiment weighed down by concerns of global trade wars, US imposition of broad based tariffs on Chinese imports, and currency devaluations in Latin American Emerging Markets. We draw confidence from the strategy's nearly 80 months of data and our analysis of the historical trends. Despite the veneer of volatility, the underlying market fundamentals appear strong and stable, which differentiates this drawdown from other long EM market corrections.

GROWTH OF \$100 (NET CUMULATIVE RETURNS SINCE INCEPTION*)



*Inception date: 12/31/2011.

As of 8/17/2018. Please see important disclosures at the end of this presentation regarding performance and the strategy's composite.

As you can see from the chart above, there has been one 20%+ correction and three 10%+ corrections since the strategy's inception in December 2011, prior to the current one. The three previous corrections of 11-13%, and 2015's larger 25% correction all had about 1-4 months of peak-to-trough duration. Each time in the past, the strategy hit new highs within 12 months of reaching its trough, except in 2015 when the correction was deeper, and it took nearly 20 months for the strategy to scale a new high.

Peak	Trough	% Total Drawdown	Duration of Drawdown
5/2/2012	6/4/2012	-12%	1.1 months
5/20/2013	8/28/2013	-13%	3.3 months
4/16/2015	8/24/2015	-25%	4.3 months
9/2/2016	12/23/2016	-11%	3.7 months
11/22/2017	8/15/2018	-23%	7.8 months
		-17% (average)	4.0 months (average)

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It is interesting to note that while it mostly took less than four months to scale new highs from the troughs, the first 10% bounce from the troughs typically happened within 45 days.

Trough	First 10% Bounce	Duration to 10% Bounce from trough	New High	Duration to New High from trough
6/4/2012	8/21/2012	2.6 months	9/21/2012	3.6 months
8/28/2013	9/16/2013	0.6 months	12/5/2013	3.3 months
8/24/2015	10/7/2015	1.5 months	4/3/2017	19.6 months
12/23/2016	2/6/2017	1.5 months	2/15/2017	3.0 months
1.6 months (average)			7.4 months (average)	

This time, we are eight months into correction, and down about 23% from the recent peak, which is more than 2x longer than all previous corrections. We are not trying to call the bottom, however, going by the historical data – this drawdown is certainly an already extended one.

We believe that our underlying markets have not seen any structural changes recently, and despite the headline concerns on global trade wars, EM Asia's growth prospects remain robust and consumer sentiment remains strong.

At 40% weight, Chinese stocks are a major portion of the strategy. In that light, we believe it is worth reviewing why we believe the recent correction in Chinese markets is different from the market correction in 2015. The 2015 correction was driven by a crisis of confidence in the domestic market. China's FX reserves fell from end-2014 levels of near \$4trn to a low of US\$3T – there was fear of continued speculative outward flows driving external sector instability. The People's Bank of China intervened in FX market, imposed curbs on outward flows and heavily controlled the onshore short-term lending market. The selling in China A shares was so intense that the regulators had to suspend around a third of the stocks listed in the Shanghai Composite Index. The worry was broader among global investors as well, on China's mounting debt and possibility of a hard landing. In hindsight we know that when the panic settled the market rallied sharply. Fundamentals were stable and there was no crash landing in China's economy.

In comparison, this time we don't see such a crisis of confidence on the domestic front. The correction across Chinese markets is clearly led by tariff & trade concerns. China's FX reserves have been stable. There are no signs of speculation or panic causing outward flows. The fundamentals are strong and stable in China. The Purchasing Managers Index, a third party indicator of economic health, shows that the manufacturing sector and, in particular, the services sector remain in expansion mode. Consumer confidence (the index was at feeble 104-105 levels in 2015, had dipped below 100 in early 2016, and is currently at 118 levels¹) remains durable reflected in June retail sales growth of 9% YoY (up from 8.5% YoY in May). Chinese exports are growing at double digits YoY² (exports were shrinking in 2015 – negative growth). GDP growth is stable. China's State-Owned-Enterprises (SoE) showed steep declines in operating profits through 2015, from there the SoE operating profits have significantly turned around and are currently up 21% YoY³. These are just a few of the indicators we look at on a consistent basis.

Finally, the strategy's forward PE ratio based on consensus estimates is currently 12.68x vs 16.80x one year ago. Consensus weighted average earnings-per-share growth for the strategy is 18.3% annualized on a two year basis, which implies an overall PEG of less than 1. The strategy is currently holding 9.9% in cash. It is important to note that our investment process remains unaltered. We do not chase short-term momentum ideas. We remain focused on assessing and analyzing the long-term fundamentals of the companies we hold and those we could potentially add to our strategy. Our investment team is slowly drawing down on cash as they see bottom up opportunities emerging amid this extended correction. Emerging markets are very volatile. A gradual investment approach suits long term investors, and we recommend our investors do the same when investing in our strategy.

Sources

1. National Bureau of Statistics of China, 6/30/2018
2. Customs General Administration PRC, 7/31/2018
3. Ministry of Finance of the People's Republic of China, 6/30/2018

Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss. Net performance results are calculated using the actual highest total fees and expenses charged to any investor account, fund, or other investment vehicle using this strategy (collectively, the “accounts”), including management fees and all other expenses. Returns reflect the reinvestment of all dividends and capital gains. The actual management fee and expenses paid by an account may be higher or lower. Returns are listed in U.S. dollars. Performance of the composite is provided for illustration purposes only and should not be construed as performance of a particular account. Charts and graphs herein are provided as illustrations only and are not meant to be guarantees of any return.

Composite Description

The strategy seeks long-term capital appreciation by investing in quality companies in emerging markets. The team’s opportunistic process seeks to capitalize on underlying regional macro trends and global macrodynamics which, combined with fundamental bottom-up security selection, may result in more concentrated regional investments. The composite, created in December 2017, is composed of discretionary accounts in the highest fee fund vehicle of the strategy. The accounts included in the composite reflect accounts managed by the Emerging Markets team and benchmarked against MSCI Emerging Markets Index and the MSCI Emerging Asia Index. None of the accounts in the composite use leverage.

Index Definitions

Purchasing Managers Index (PMI) is an index compiled and summarized through the results of the monthly survey of enterprises purchasing managers. It is one of the leading indices which was commonly adopted by international society to monitor the macroeconomic trends, and played an important role in forecasting and monitoring. Users can intuitively understand the changes in the breakdown of the different indices of the PMI. It covers every link of the enterprises, including purchasing, production, logistics, and so on.

The Consumer Confidence Index (CCI) is based on households' plans for major purchases and their economic situation, both currently and their expectations for the immediate future. Opinions compared to a “normal” state are collected and the difference between positive and negative answers provides a qualitative index on economic conditions.

The SSE Composite, which is short for the Shanghai Stock Exchange Composite Index, is a market composite made up of all the A-shares and B-shares that trade on the Shanghai Stock Exchange. The index is calculated by using a base period of 100. The first day of reporting was July 15, 1991.

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