STRATEGY PROFILE

Emerging Markets

FOURTH QUARTER 2022

The Emerging Markets Equity strategy seeks long-term capital appreciation by investing in companies located in emerging and frontier markets, selected based on their ability to generate free cash flow and allocate it intelligently for the benefit of shareholders

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Key Components of the Emerging Markets Strategy

Use of a quantitative model and defined processes to systematically implement Epoch's investment philosophy ensures discipline and repeatability

Quantitative insights complemented by fundamental analysis provide a holistic view of candidate companies and the ability to respond to unusual circumstances (e.g., spin-offs, IPOs). The quality of our fundamental analysis gives us the conviction to hold a focused portfolio of 60–80 stocks

Modern data science techniques boost the speed and efficiency of our research and enable us to innovate faster

Customized performance measurement system spurs self-improvement and helps us keep our investment edge

Investment Philosophy

Epoch believes that the best predictors of long-term shareholder return are growth in free cash flow and management's skill in allocating that cash.

We prefer cash flow to earnings for three reasons. First, cash flows are more reliable than reported earnings because they are harder to manipulate under accounting rules. Second, for innovative businesses which derive much of their economic value from intangible assets, reported earnings have become increasingly less relevant as a measure of value generation compared to cash flows. Third, businesses which appear to generate reported earnings but not cash flows are more likely to run into financial distress.

Capital allocation matters because decisions on how to allocate cash flows—whether to reinvest in order to grow a company, or to return capital to shareholders—can create or destroy long-term shareholder value.

As a result, our security selection process emphasizes free-cash-flow metrics and capital allocation as opposed to traditional accounting-based metrics such as price-to-book and price-to-earnings. Specifically, we look for a consistent and sustainable ability to generate free cash flow and to allocate it effectively among internal reinvestment opportunities, acquisitions, dividends, share re-purchases and debt pay downs.

Strategy Approach and Investment Process

The Epoch Emerging Markets Equity Strategy seeks long-term capital appreciation by investing in a portfolio of 60–80 securities in the emerging and frontier markets. The strategy is an actively managed core strategy, and uses a systematic, data-driven investment process to select companies based on their ability to generate free cash flow and allocate it intelligently for the benefit of shareholders. We integrate quantitative research, fundamental analysis, and data science techniques to deliver strong risk-adjusted returns. We believe this approach to emerging markets investing provides discipline, repeatability, and intelligent flexibility.

The investable universe for the Emerging Markets Equity strategy largely comprises the constituents of the MSCI Emerging Markets IMI Index, although non-benchmark securities may be included if they are suggested by our sector analysts. To broaden our opportunity set, we also consider a select number of frontier market (as defined by MSCI) securities.

The strategy combines rigorous quantitative screening based on our proprietary stock selection model and in-depth fundamental research. We developed the proprietary Epoch Core Model ("ECM")—a systematic, rules-based expression of our investment philosophy to help us identify companies which are most likely to meet our investment criteria. The ECM evaluates each stock in our investment universe according to five broad investment characteristics which we believe drive company fundamentals and security prices. Each investment component—Quality, Valuation, Growth, Capital Allocation, and Investor Behavior—comprises a multitude of variables and ultimately embodies the key aspects of our fundamental research process. While the ECM is the primary source for research idea generation within the strategy, investment ideas can also come from our sector analysts or the broader global investment team at Epoch.

We recognize that even the best stock selection models will struggle to capture complex industry dynamics and nuanced differences in business models. As such, we rely on detailed fundamental analysis performed by sector analysts to understand the sources of competitive advantage for companies, how they translate into free cash flows, and whether these will persist over time. Another key component of the analysis is an evaluation of management's framework and ability to allocate capital effectively to create shareholder value.

The companies uncovered by this process may have inherently less volatile businesses and stock prices due to their ability to consistently generate cash flow over time. Only stocks which meet our investment criteria are considered for inclusion in the portfolio.

Our portfolio construction process incorporates the relative attractiveness of a stock per our ECM, our sector analyst insights, as well as relevant risk considerations. In general, for a given level of risk, stocks with high ECM scores and/or high analyst ratings will tend to have larger weights in the portfolio. Similarly, for a given level of return, higher risk stocks will tend to have lower weights. Once a stock has been purchased, we continually revisit our thesis. The stock is sold if our thesis is challenged or if we see another investment with a better risk-reward profile.

The investment team offers complementary skills and perspectives—quantitative, fundamental, and data science. Our team is integrated—our fundamental analysts, quantitative researchers, and data scientists work closely on model and stock research, as well as various long-term projects. In this manner, we ensure a unified purpose and cross-fertilization of ideas.

Risk Management

We believe effective risk management requires an active, forward-looking, and flexible approach, especially in Emerging Markets where country risk can be a significant source of under-performance. We use a comprehensive risk management process to minimize unintended risks and diversify portfolio holdings across countries, industries, market cap ranges, and other risk factors. This tends to result in a portfolio with below-average volatility.

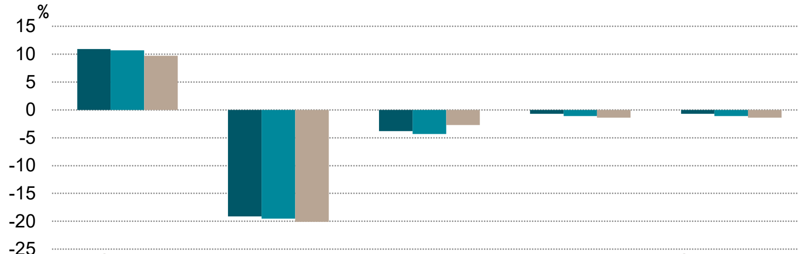
Portfolio Management Team

Industry Experience

Lilian Quah, CFA	19 Years
Tim Sledge, CFA	28 years
Lin Lin, CFA	17 years
Mike Welhoelter, CFA	36 years

Supported by a team of analysts with an average of 20 years experience

EMERGING MARKETS



	QTR	1 Year	3 Year	5 Year	Since Incp.
Portfolio (Gross)	10.9	-19.1	-3.8	-0.7	-0.7
Portfolio (Net)	10.7	-19.5	-4.3	-1.1	-1.1
MSCI EM (Net)	9.7	-20.1	-2.7	-1.4	-1.4

	2022	2021	2020	2019	2018
Portfolio (Gross)	-19.1	-5.6	16.4	24.1	-12.5
Portfolio (Net)	-19.5	-6.0	15.9	23.6	-12.9
MSCI EM (Net)	-20.1	-2.5	18.3	18.4	-14.6

SECTOR WEIGHTS

	Portfolio %	MSCI EM (Net) %
Information Technology	19.8	18.6
Financials	18.1	22.1
Consumer Discretionary	16.8	14.1
Communication Services	9.4	9.9
Consumer Staples	7.5	6.4
Materials	7.4	8.9
Energy	5.7	4.9
Health Care	4.0	4.1
Industrials	3.9	6.1
Real Estate	2.8	1.9
Utilities	2.6	3.0
Cash	1.9	0.0
Total	**100.0**	**100.0**

5 LARGEST COUNTRY WEIGHTS

	Portfolio %	MSCI EM (Net)%
China	31.6	31.0
Taiwan	14.4	13.8
Korea	10.7	11.3
India	10.6	14.4
Brazil	6.0	5.3
Total	**73.3**	**75.9**

THREE YEAR RISK METRICS

Portfolio vs. MSCI EM (Net)	
Info Ratio	-0.29
Alpha	-1.52
Beta	0.92
R^2	0.96
Upside Capture	86.9
Downside Capture	96.0
Active Share	77.6

ADDITIONAL INFORMATION

Composite Inception	December 31, 2017
Assets	$155.0 million
Availability	**Minimum**
Separate account	$50 million

CHARACTERISTICS

	Portfolio	MSCI EM (Net)
FCFF to Assets (P5Y)*	10.0%	5.7%
FCFF Conversion*	42.3%	30.0%
ROIC minus WACC*	5.9%	1.7%
Net Debt / EBITDA*	-0.3	0.7
CFO / Total Debt*	0.2	0.2
Non-Current Asset Growth	6.7%	5.9%
Dividend Coverage Ratio*	2.0	1.9
FCFE Yld (Avg P5Y)*	6.2%	4.8%
FCF Yld (F1Y)	5.8%	6.1%
FCFF / EV*	6.1%	4.2%
Dividend Yld	3.5%	3.1%
Buyback Yld	-0.3%	-2.2%
FCF Yld (Avg F3Y)	7.4%	7.6%

**Metric is adjusted for capitalized leases, capitalized R&D, and/or under-funded pensions.*

5 LARGEST HOLDINGS

	Portfolio %
Taiwan Semiconductor Manufactu	7.7
Samsung Electronics Co., Ltd.	5.3
Alibaba Group Holding Limited	4.2
Vale S.A.	3.2
Tencent Holdings Ltd.	3.0
Total	**23.5**

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