

WHY EMERGING MARKETS VALUE Q2 2024

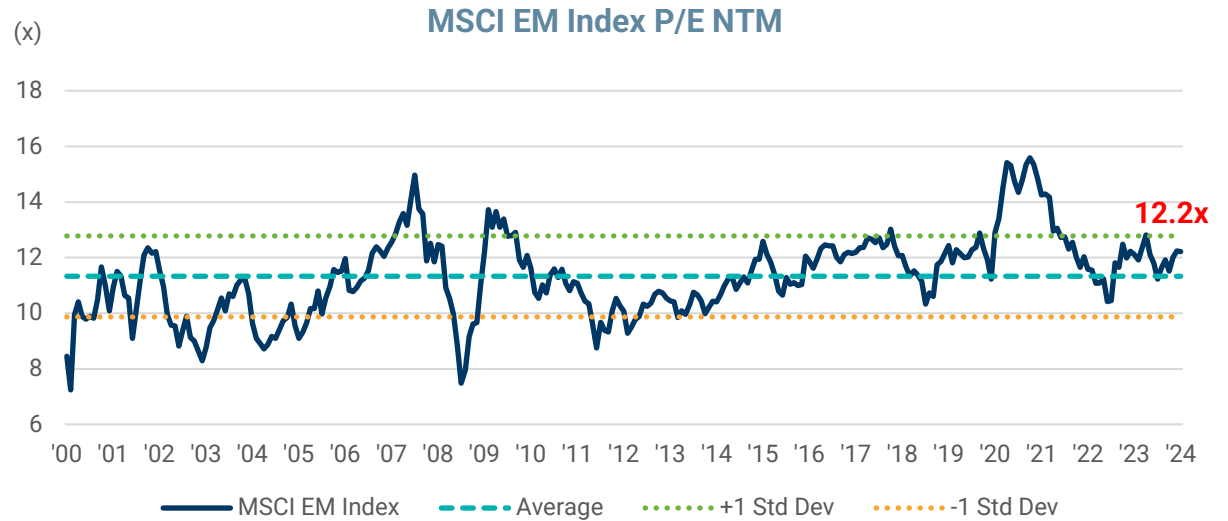


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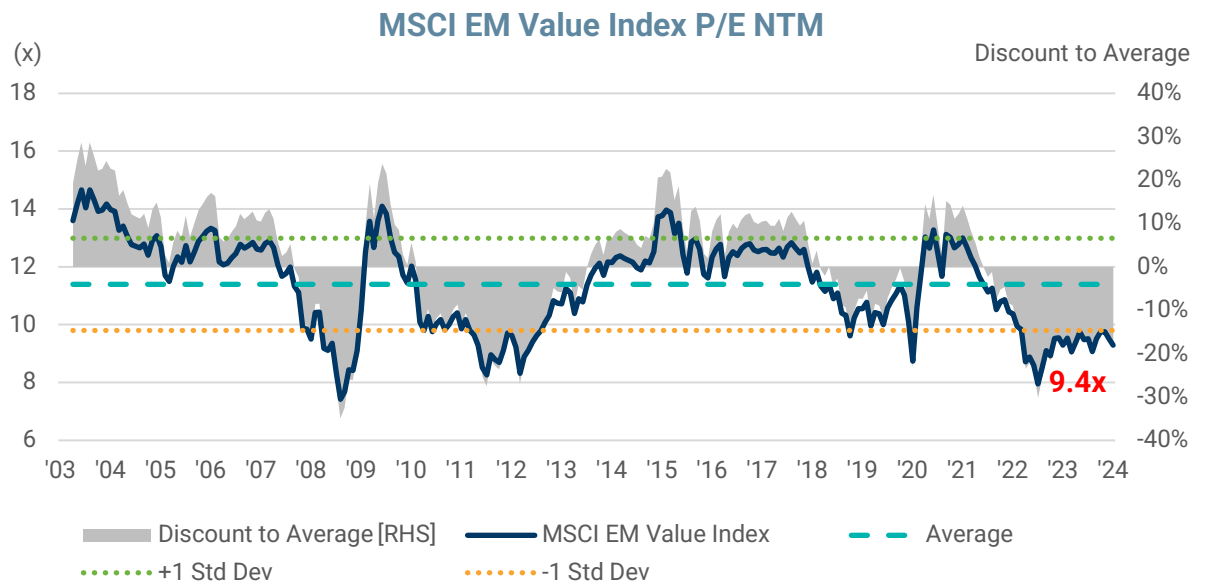
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ASSET MANAGEMENT

1. WE BELIEVE EM VALUATIONS REMAIN VERY ATTRACTIVE ... EVEN MORE SO FOR EM VALUE

- Currently, the price-to-earnings (P/E) ratio for the MSCI EM Index is a little more than 12.2x over the next twelve months (NTM), or slightly above its long-term average of 11.3x.

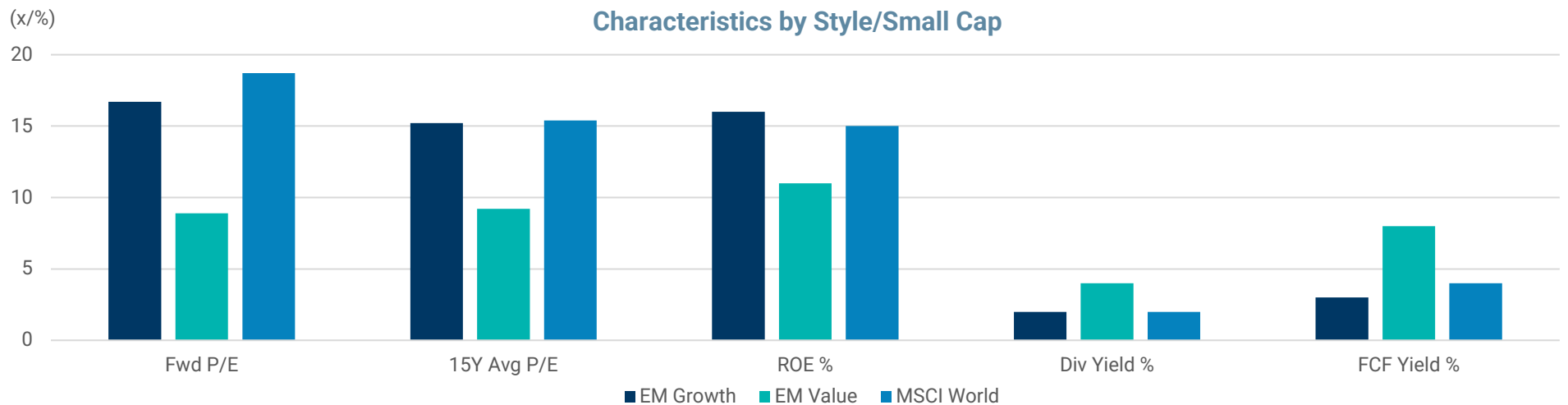
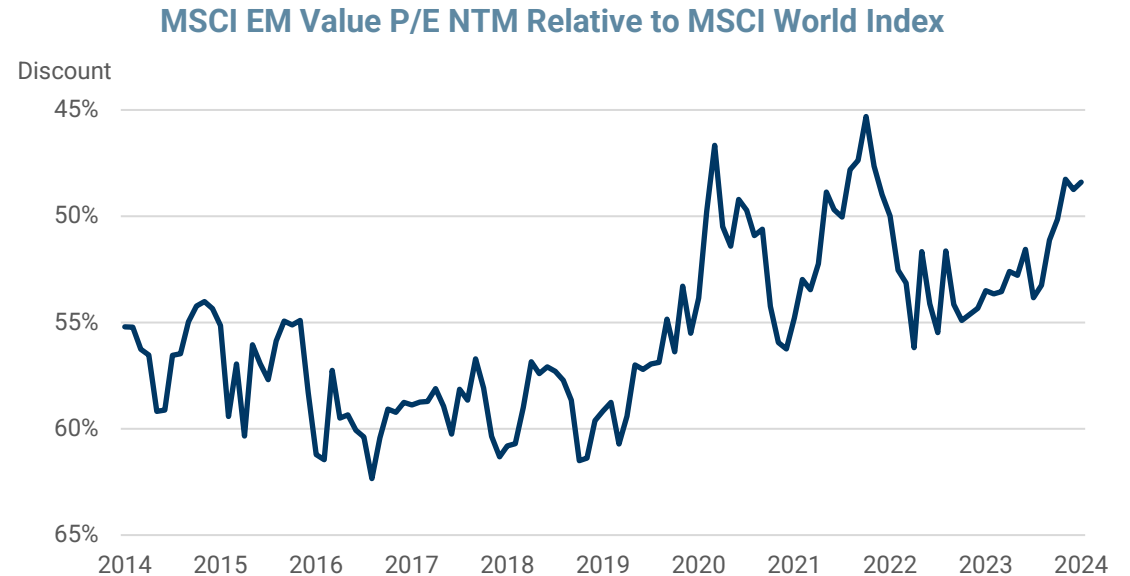


- Despite a 3-year rally, the MSCI EM Value Index trades at 9.4x P/E NTM, below its 20-year average of 11.5x
- Compared to the standard MSCI EM Index, EM Value trades almost 20% cheaper but offers investors higher profitability, free cash flow yield, and dividend yield.



2. EM VALUE POTENTIALLY OFFERS STRONG PROFITABILITY AND EPS GROWTH AT INEXPENSIVE VALUATIONS

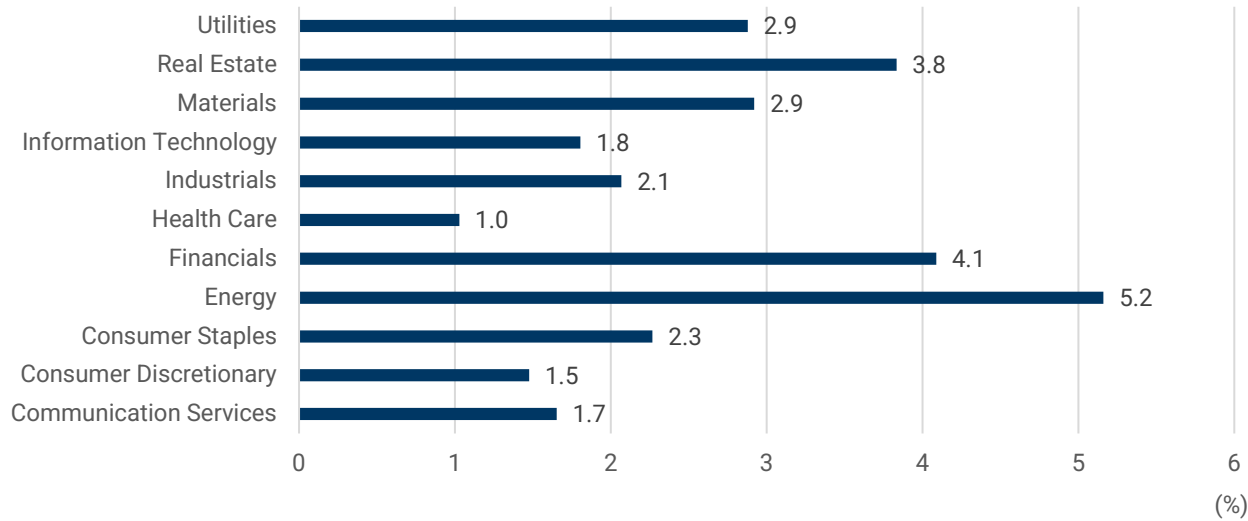
- The MSCI EM Value Index currently trades at a 15% discount relative to its own history and more than a 50% discount to the MSCI World.
- EM Value has many superior investment characteristics relative to the World Index and S&P 500, including higher EPS growth. Dividend yields and free cash flow yields are at 200% and 70% premiums, respectively, to developed markets equities, with improving ROEs in many EM countries.



As of 30 June 2024
Source: FactSet, MSCI

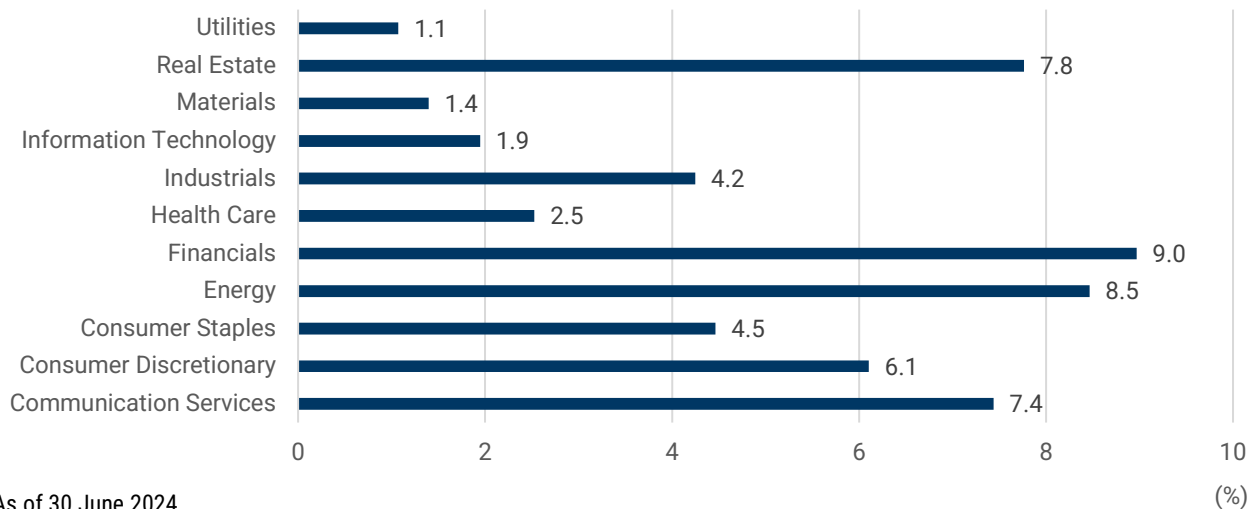
3. EMERGING MARKETS BY SECTOR: ATTRACTIVE DIVIDEND AND FREE CASH FLOW YIELD PROFILE

Dividend Yield by Sector



Some of the highest dividend yields and free cash flow yields can be found in traditional value sectors, such as materials, utilities, and energy. We believe many investors are once again beginning to prioritize value investing, dividends, and cash flow generation.

Free Cash Flow Yield by Sector



As of 30 June 2024.
Source: MSCI

4. WE BELIEVE EM VALUE HAS ROOM TO RUN

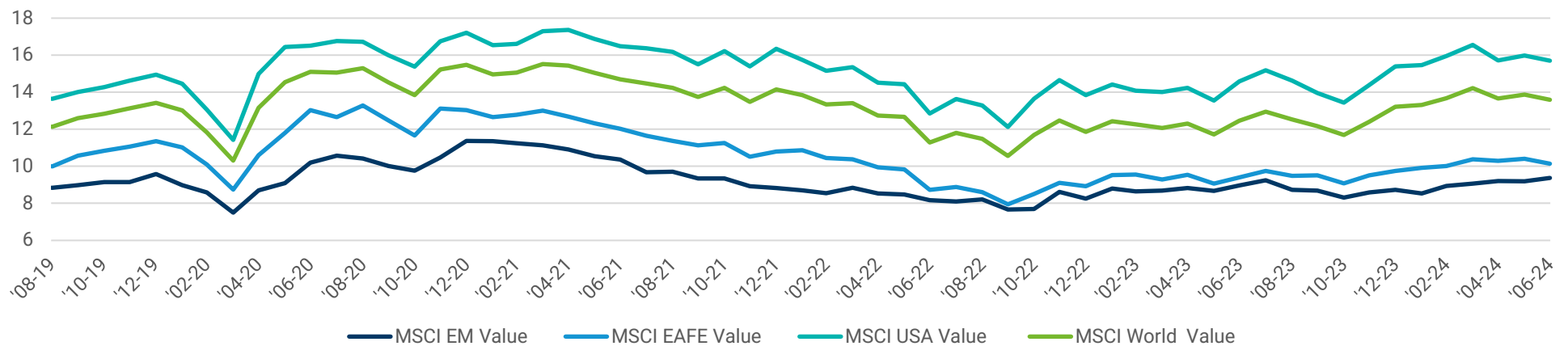
- Although value stocks have exhibited stronger performance recently, the performance gap between EM growth and value stocks remains considerably wide.
- Despite significant multiple contraction, EM growth stocks are still 2x more expensive than value.
- Over time, value stocks may revert to their mean valuations, which could result in significant capital appreciation for investors who have bought these stocks at a discount.
- EM Value stocks remain the cheapest value investment across the asset class.

Performance Gap between EM Growth and Value Has Further Room to Close



(P/E NTM)

EM Value Remains Inexpensive



As of 30 June 2024
Source: FactSet, MSCI

IMPORTANT INFORMATION

Published on 21 August 2024.

The performance quoted represents past performance. Past performance does not guarantee future results.

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The MSCI Emerging Markets Index is a free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Emerging Markets Index consists of emerging markets country indices including: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

The MSCI Emerging Markets Value Index measures the performance of companies in the broader MSCI Emerging Markets Index with lower price-to-book, lower price-to-forward-EPS ratios, and higher dividend yields.

The MSCI World Index is a free-float-adjusted market capitalization index that is designed to measure global developed market equity performance comprised of developed market country indices. The index is unmanaged and has no fees. One cannot invest directly in an index.

The MSCI Emerging Markets Growth Index measures the performance of companies in the broader MSCI Emerging Markets Index with higher EPS growth estimates over the short term and long term, internal growth rates, long-term historical EPS, and long-term sales growth rates.

The MSCI EAFE Value Index captures large and mid cap securities exhibiting overall value style characteristics across Developed Markets countries* around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield

The MSCI USA Value Index captures large and mid cap US securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

The MSCI World Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets countries.

The indices are unmanaged and have no fees. One cannot invest directly in an index.

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