

Investing in tomorrow's leaders, today.

GuardCap Emerging Markets Equity Strategy

Eyes on the Horizon

Investing in emerging markets (EM) has often come with a health warning. The asset class has been historically perceived as pro-cyclical, commodity-based, low-quality and high-risk. Investor flows have typically followed the economic cycle, adding to the perception of the asset class's volatility. The pervasive short-termism of markets compounds these issues.

The GuardCap Emerging Markets Equity Strategy takes a different approach. We aim to leverage our deep fundamental analysis of the very few high-quality companies in EM capable of sustaining long-term growth to build a concentrated portfolio of stocks we believe are world class. We leverage long-term thinking, long-term forecasting and long holding periods to identify companies that short-term market traders miss.

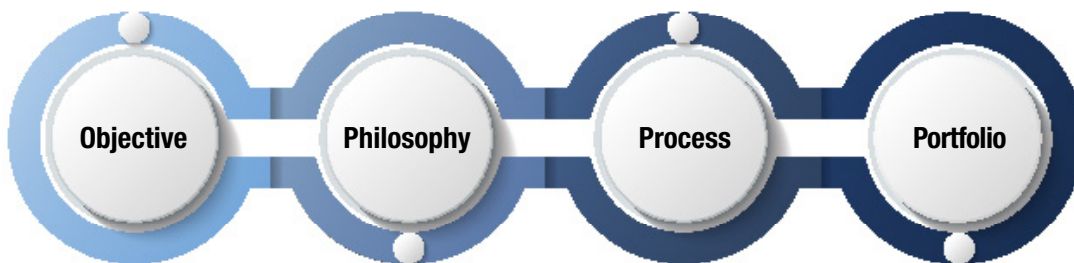
Our Approach: Fewer Stocks, Deeper Analysis



Above-market returns at below-benchmark risk over longer time horizons



- In-depth fundamental analysis
- 10 key "Investment Criteria" and valuation discipline
- High conviction, confidence-building process



Objective

Philosophy

Process

Portfolio



- Sustained growth drives returns
- Quality protects against downside
- Valuation matters



- Typically 25 to 30 companies
- Stock selection drives sector and country weights
- Benchmark-agnostic

Three keys to unlock the future of EM

Emerging markets are changing rapidly. At the end of 2010, eight out of the ten largest company weights in the MSCI Emerging Markets Index were extractive commodity companies, utilities or banks. Fast forward ten years and it's nearly the opposite: there are only two financial companies and one energy company in the top ten index weights. Three companies from 2010 remain, with only two of those, Samsung and TSMC, also members of the top ten in 2000. They represent the vanguard of what we believe to be a growing collection of world-class companies in emerging markets, demonstrating long-term success at translating the region's sustained economic growth into shareholder returns.

While emerging markets equities have long been forecast to outgrow developed markets equities as a result of underlying economic growth rates, EM investment returns have not matched the region's economic potential. We believe key growth drivers can be categorised into three groups, and seek to identify the companies best able to translate these secular growth drivers into stock returns for our investors.

Three Strongest Growth Trends in Emerging Markets

Growth of consumption and consumption upgrade



The population in emerging markets middle-class households is nearly four times larger than middle-class households in developing markets¹

Formalisation of the financial system



Less than 20% of people borrowed formally in developing economies vs. ~60% in high-income economies²

Investment in science and technology



Chinese PhD graduates in STEM fields are expected to be double that of US PhD graduates by 2025³

¹ Euromonitor (2020)

² The World Bank Global Findex Database (2017)

³ Center for Security and Emerging Technology, Georgetown University (2021)

What does the future look like?

Whatever your vision of the future, one thing is certain: the commercial world is changing.

Major new trends are arising at an alarming rate and computing power has, for many years now, been growing exponentially. The next 20 years promise more change in the global business landscape than we have seen in the last 100 years. We believe emerging markets are changing more rapidly than developed markets, and it is therefore imperative to consider potential impacts five and ten years in the future when investing today.

When considering your existing equity portfolios, it is worth asking the question: will all of the companies in these portfolios still be thriving in five to ten years' time? Or will they be superseded by new trends and new technologies?

Mobile wallet usage is currently estimated to account for more than 90% of transactions among Chinese city dwellers.¹ In contrast, mobile wallets currently account for about 10% of US transactions, with cash (26%), debit (28%), and credit (23%) transactions continuing to dominate.² We believe this rapid pace of change in emerging markets will continue in future decades.

For us, it is not enough just to understand the future of the company. We also have to understand the future itself - the environment that our companies will face in the years to come. That's why we have DORA...

Our work is all about the future – we believe companies which are still doing well in five to ten years' time will likely be good investments over that timeframe and potentially beyond. To build conviction in the case for each company, we learn from the past and set out to understand the future – not just of our companies, but of the world they will be competing in.

The GuardCap Emerging Markets Equity Strategy is designed for the long term. We're investing in tomorrow's leaders, today.

¹ Statista (2022)

² Federal Reserve Bank of San Francisco (2019)

DORA Days: Our Vision of the Future “Day Out Researching Anything”

The investment team will examine a likely long-term secular growth trend, spending a day out of the office to consider it and other trends to determine whether there are companies benefitting from these trends that merit further investigation.

Perhaps more importantly, the team also considers whether the trend in question represents a threat to the longer-term future of any of the companies that we invest in – will a new technology or trend disrupt one or more of the stocks held in the strategy?

Our “DORA Days” library includes over 90 papers. Topics have included:

1) The Future of Flight

4) Innovation in China

2) COVID-19: The Long-term Implications

5) Future of Retailing

3) Climate Change

6) Leapfrogging

Designed for the long-term

- Targets long-term outperformance vs MSCI Emerging Markets Index
- Outperformance vs. MSCI Emerging Markets Index¹
- A quality bias and focus on long-term secular growth drivers has provided downside protection since launch
- Emphasis on sustainable growth demonstrated by excellent ESG scores
- Long-term investment horizon results in long holding periods and low turnover

¹ Based on the Guardian Emerging Markets Equity Composite, since inception 1 January 2015 in USD relative to the MSCI Emerging Markets Index (Net). Information on past performance, is not necessarily a guide to future performance.

Experience Matters – GuardCap Emerging Markets Equity Team



Ed Wallace

Investment Manager

- 21 years' experience
- Henderson Global Investors;
Gartmore Investment Management
- Modern History & Economics,
University of Oxford
- CFA® charterholder



Joris Nathanson

Investment Manager

- 20 years' experience
- Partner, Nevsky Capital;
Deloitte, UK
- Philosophy, Politics & Economics,
University of Oxford
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Alice Yin

Investment Manager

- 11 years' experience
- M&A, Barclays Investment Bank
- Mathematics & Statistics,
University of Oxford
- CFA® charterholder

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