

Oriana Mezini

Senior Fund Analyst



Emerging Markets equities offer good investment opportunities giving exposure to its demographics, growth, domestic consumption and transition from manufacturing to services. The region itself represents the majority of the world population and as these economies grow, their currencies become more stable and their capital markets deepen they can offer good growth opportunities to long-term investors. Two of the emerging markets funds that can capture these positive growth dynamics are RWC Global Emerging Markets fund and the Ashoka India Opportunities fund.

RWC Global Emerging Markets fund

One of my preferred Emerging Markets fund is the RWC Global Emerging Markets fund. It is managed by an experienced Emerging and Frontier Markets investment team having worked together at Everest Capital prior to joining RWC in 2015.

One of the unique features of the team's investment approach is the top-down macro and thematic research which helps to dynamically drive direction and research focus. The weight they put on these top-down factors is the team's biggest differentiator. Through the **top-down analysis** (macro, thematic and geopolitical considerations), they aim to identify tailwinds and headwinds allowing them to position the portfolio towards favourable return factors.

The fund follows a **Growth at Reasonable price (GARP) style** and it is invested in 50-60 positions. All Cap approach, but liquidity constraints tend to ensure that the fund is not heavily invested in small cap. It is index agnostic and has a consistent high active share.

Given the GARP characteristics coupled with the bias towards smaller size companies (mid to large versus large to mega cap), we would expect the fund to perform better in market environments where growth is better rewarded.

Ashoka India Opportunities

The Ashoka Indian Opportunities fund is a high conviction, unconstrained Indian equity portfolio, managed by White Oak Capital Management, providing **high quality all cap exposure to the Indian equity market** and the team's long established stock picking expertise.

It is run by Prashant Khemka who was previously CIO and lead portfolio manager of the Goldman Sachs India Equity fund. Prashant founded his own firm White Oak Capital Management in 2017 and set up the Ashoka India Opportunities fund.

A high quality manager, well-run India fund and well-resourced. Strong relative performance delivered since inception in all market environments including the recent sell-off triggered by the shut-downs due to the virus.

The investment strategy is long only with a long term absolute return focus. It follows a simple yet powerful investment philosophy of investing in businesses based on stock selection, rather than betting on macro. The two critical pillars of their investment philosophy are business and valuation.

Emerging Markets suffered from large outflows during the first half of 2020 and some of them are still hardly hit by the Covid-19, especially in Latam. However, we think that emerging markets from the north of Asia, which have re opened their economy earlier **are relevant in a global asset allocation.**

Since the end of March, the performance of the CSI 300 and TWSE index are ahead of the MSCI World Index and S&P 500. Although the macro outlook is still uncertain and even after this rally, valuations remain attractive. The forward P/E ratio shows a higher discount rate relative to developed market equities than historical average.

A weakening dollar, and the dollar liquidity with new facilities offered by the FED to Mexico, Brazil and South Korea are welcomed. Fiscal policy has eased and could go further, especially in China. **EM are under owned and when focusing on the China A shares**, this market takes advantage from the MSCI inclusion.

Considering this region of Asia, on the main negative side of the global picture, apart from the general Covid-19 second wave risk (surging in Hong Kong), approaching the US elections, political tensions are back and this issue may enhanced volatility in the meantime.

In terms of fund selection, the implementation of our convictions comes through **GemEquity from Gemway Assets and First State China Growth fund from First State Investments** (Hong Kong). Their proven track records and active shares, combined with ESG approach meet our criteria.

- **GemEquity is managed by Bruno Vanier and his team based in Paris.** Bruno is one of the rare French specialist on equity emerging markets with a long tenure. Accessibility to the team through regular meetings and active report from their frequent travels (in usual time) and case study are welcomed. At the beginning of the year, Gemway Assets has managed to obtain the french state «ISR» label (Investissement Socialement Responsable) meeting the ESG criteria.
- **First State China Growth is managed by Martin Lau** as lead manager since 2002. The investment strategy focuses on quality growth companies. Track record and integrity of the management are pointed out as key in the investment process. As long term investors, the turnover is low (around 25%) and there too, active share is high and the the firm is engaged on ESG matters. The fund allows a significant part of his allocation to A shares (27% at the end of June), which correspond to our global picture and convictions mentioned above.

François Gazier

Head of Asset Allocation and Fund Selection at Haussmann Patrimoine



To invest in Emerging Markets we choose a mixed approach by selecting multiple different investment processes and styles. In particular, I'd like to highlight 2 opposing philosophies: Schroders Global Emerging Markets and UBS Global Emerging Markets Opportunity.



David Karni, Head of fund selection and advisory at BCC Risparmio & Previdenza



Emerging markets could be the protagonists of the second half of 2020. I have no doubt about the choice of a sustainable equity fund, Vontobel Fund - mtX Sustainable Emerging Markets Leaders, and for the bond market my preference is for Invesco Emerging Markets Local Debt Fund.

Ilaria D'Ascenzio, Head of Fund Research at BNP Paribas Private Banking

The emerging funds we currently use are: GemEquity, managed by Bruno Vannier and his team from Gemway Assets, and First State China Growth Fund. We recently came in Hermes Global Emerging Market Equity Fund, with our dedicated fund of fund (Haussmann Patrimoine Convictions) for which we act as financial advisors within a partnership with the multi asset management team of Rothschild & Co.

François Gazier, Head of Asset Allocation and Fund Selection at Haussmann Patrimoine



An investor that aims to invest in Emerging Markets Debt must be very selective. For this matter, we have selected in the local currency sovereign space the DPAM L Bonds Emerging Markets Sustainable and in the hard currency sovereign space the Candriam SRI Bond Emerging Markets.

Jean-Baptiste Fargeau, Fund Analyst at Banque de Luxembourg Investment

Two of the emerging markets funds that can capture these positive growth dynamics are RWC Global Emerging Markets fund and the Ashoka India Opportunities fund.

Oriana Mezini, Senior Fund Analyst



In the fixed income space we can use a good blended emerging debt fund that can buy government and corporate debt such as Neuberger Berman Short Duration Emerging Market Debt Fund. On the equity side, A good way to bring China together with one of the new trends that are accelerating such as New Consumers should be Fidelity China Consumer.

Juan Luis Luengo, Fund Selector at Santander Private Banking



The strategies that we like the most on Emerging Markets is the Banor – Greater China Equity and BB Adamant Asia Pacific Healthcare. Both of these funds were selected in qualitative and quantitative terms.

Frame AM Team



INVESTMENT FUND ISIN CATEGORY CURRENCY PERFORMANCE YTD PERFORMANCE 3 YEARS

EQUITY FUNDS

Ashoka India Opportunities	IE00BD3RLY95	Indian Equity	USD	4,58%	–
BB Adamant Asia Pacific Healthcare	LU1587985497	Global Emerging Markets Equity	EUR	30,19%	23,64%
Fidelity China Consumer	LU0594300179	Equity China	USD	15,39%	9,63%
First State China Growth Fund	IE0008368742	Global Emerging Markets Equity	USD	8,31%	12,80%
GemEquity	FR0011274984	Global Emerging Markets Equity	EUR	5,86%	6,93%
Hermes Global Emerging Market Equity Fund	IE00B3DJ5M15	Global Emerging Markets Equity	EUR	-2,03%	5,70%
RWC Global Emerging Markets Fund	LU1324053443	Global Emerging Markets Equity	EUR	-2,41%	0,97%
Schroders Global Emerging Markets	LU0106252546	Global Emerging Markets Equity	USD	-3,29%	4,45%
UBS Global Emerging Markets Opportunity	LU0399011534	Global Emerging Markets Equity	USD	-3,61%	–
Vontobel Fund - mtX Sustainable Emerging Markets Leaders	LU0571085686	Global Emerging Markets Equity	USD	-3,17%	5,05%

FIXED INCOME FUNDS

Candriam SRI Bonds Emerging Markets	LU1434519689	Global Emerging Markets Bond	USD	-3,49%	4,12%
DPAM L Bonds Emerging Markets Sustainable	LU0907928062	Global Emerging Markets Bond	EUR	-6,92%	1,27%
Invesco Emerging Markets Local Debt Fund	LU2014293232	Global Emerging Markets Bond	USD	-9,41%	-0,33
Neuberger Berman Short Duration Emerging Market Debt Fund	IE00BDZRXT69	Global Emerging Markets Bond	USD	2,05%	3,59%

Source: Morningstar, data as 31/08/2020



A RIGOROUS APPROACH TO EMD INVESTING

Neuberger Berman Emerging Markets Debt Strategies

We offer a full range of emerging markets debt capabilities, managed by our 35-member team, one of the largest in the industry. Adopting the same principles as our broader fixed income team, with a research-focused approach, multiple alpha sources and controlled risk, our global team benefits from a consistent, disciplined process. We believe this equips us to tap into the full potential of this diverse asset class.

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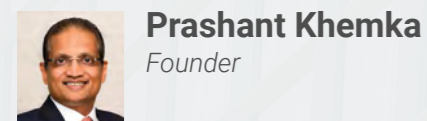
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NEUBERGER BERMAN

ASHOKA INDIA OPPORTUNITIES

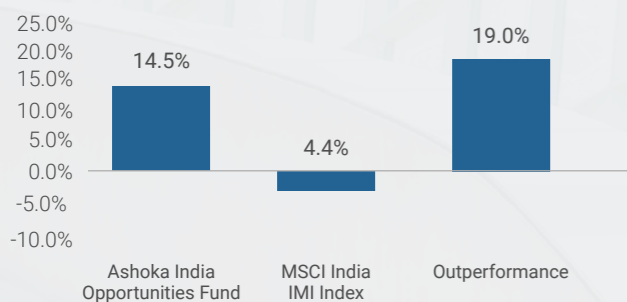


Prashant Khemka
Founder

ISIN: IE00BD3RLY95
Category: Indian Equity

Ashoka India Opportunities Fund, managed by White Oak Capital Partners (Singapore), has emerged as the top performing fund in its category since inception, beating its peers and the benchmark by a wide margin. White Oak manages and advises approximately \$2bn of India dedicated capital.

Cumulative performance (USD), net of fees since inception (19 Dec 2018 - 30 July 2020)



A key driver of the strong outperformance is the **unique investment culture at White Oak**. The investment philosophy is that outsized returns are earned over time by **investing in great businesses at attractive valuations**. It is a rigorous, fundamental, bottom-up, stock selection based approach of investing in businesses rather than betting on macro. To be considered great a business should possess three attributes: **(a) superior returns on incremental capital, (b) scalable, (c) well managed in terms of execution and governance**.

The team strives to buy these businesses when they are available at a substantial discount to their intrinsic value. White Oak's unique, proprietary, CLEIR™ (Capital-light Excess Investment Return) analytical framework provides insights into economic cash flow generation characteristics and the intrinsic value of a business. The team shuns the

use of **PE or EV/EBITDA** multiples, because **such metrics can be very misleading and lead to wrong decisions**.

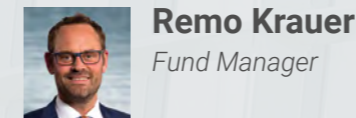
What truly stands out is the depth and breadth of investment experience on the team. Collectively the team has over 100 years of research experience across India, US, emerging markets and frontier markets, having analysed approximately 3,000 companies globally. This uniquely sets White Oak apart from any other India specialist. The local presence on the ground in India helps to conduct an extensive 360-degree programme of meetings and due diligence – a critical aspects of the investment process. This includes meeting senior management, customers, suppliers, competitors, ex-employees and industry experts. A local presence also gives us an edge in less widely researched pockets of the Indian market **including mid-caps and off-benchmark stock**, which are extremely fertile for generating outsized returns due to greater inefficiencies that exist there.

Other big differentiator for us has been our strong focus on corporate governance. It is one of the key attributes we look for in a great business. India, like any other emerging market, exhibits a wide spectrum of corporate governance standards. Over the past years several Indian managers have burnt their fingers by investing in companies with questionable governance standards. However, the team, equipped with a deep knowledge of Indian equities accumulated over multiple economic and market cycles, has been able to steer clear of these fraudulent traps so far.

Under this overarching investing framework, the portfolio **majorly consists of companies that are industry leaders with dominant positions in the segments that they operate in**. These businesses tend to have strong balance sheets and robust cash flow characteristics. In today's highly uncertain environment, business resilience matters more than ever and therefore we think that the portfolio is **well positioned to weather this storm and come out stronger on the other side**.

Also, the disruption caused by **Covid-19 has exposed the vulnerability of global supply chains and the over-dependency on China**. We believe there will be an accelerated shift of manufacturing out of China as companies, and countries at large, look for credible alternatives to de-risk and diversify their exposures. India will be a beneficiary of the resultant realignment in industries such as electronics manufacturing, pharmaceuticals and specialty chemicals. Ashoka India Opportunities Fund is invested in dominant Indian companies in these industries that stand to gain from this shift.

BB ADAMANT ASIA PACIFIC HEALTHCARE



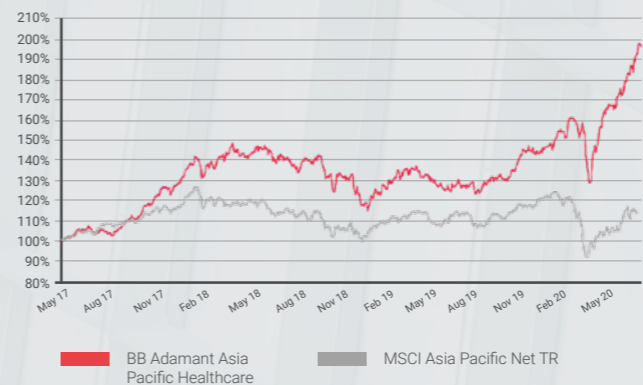
Remo Krauer
Fund Manager

ISIN: LU1587985497
Category: Global Emerging Markets Equity

Asia is impossible to overlook when glancing at world maps of, say, population density or GDP growth rates. About 60% of the world's population, or 4.5 billion people, live in Asia. **Asian countries account for nearly 40% of world economic output and more than 50% of world GDP growth**.

BB Adamant Asia Pacific Healthcare invests in the **emerging markets of Asia and in technology leaders operating out of Japan**. Geographically, the largest country exposure in the fund is currently China, which accounts for about 40% of the fund's invested assets, followed by Japan at 30%. The fund's portfolio is rounded out with investments in India, Korea, Australia, New Zealand, Malaysia and Thailand. This investment strategy makes the fund a perfect vehicle for participating in the **fast growth of Asian healthcare markets, which are growing twice as fast as the regional GDP**.

From an investor perspective, the BB Adamant Asia Pacific Fund has generated very good returns. As of June 30, 2020, the fund had gained more than 90% in value in USD since its launch at the end of April 2017 and **outperformed the MSCI Asia Pacific Index by about 80%**:



There are several reasons for the fund's strong performance. Both short and long-term trends have boosted Asian healthcare stocks.

Coronavirus: Positive trigger for healthcare stocks

Asia's healthcare sector will in many ways emerge from the coronavirus crisis stronger than before because healthcare firms from the region – whether manufacturers of simple rubber gloves or companies with cutting-edge vaccine development programs – are playing a key role in overcoming the pandemic. The use of **online initial patient assessment platforms has taken off**, too, which is a major reason why Chinese hospitals were not overwhelmed by an influx of patients during the peak of the viral outbreak. Companies such as Alibaba Health and Ping An Healthcare are likely to experience another burst of growth going forward thanks to strong demand for telemedicine, online prescription services and online drug ordering platforms.

“Made in China” strategy helps the Chinese healthcare industry

China wants to grow its innovation capabilities and human capital, while also developing market economy institutions and safeguarding intellectual property. A “Made in China” strategy has been formulated to promote the country's self-sufficiency in key technology areas. **China has defined ten prioritized industries that have been earmarked for structural transformation and expansion**. The biomedical and medical device industries are among these ten industries. China is allocating tremendous amounts of resources to these industries and a burst of innovation is expected. Already the second-largest drug market in the world, **China is well on its way to becoming a major global center for drug discovery**.

Technology-driven innovation from Japan

In Japan, high levels of research and development for medicines and, in particular, medtech products such as stents, catheter systems and medical imaging systems, go hand in hand with global innovation leadership. Olympus is one example of a Japanese innovation leader. **It commands a 70% share of the global market for endoscopy products**. One of its recently launched innovations is a 3D gastrointestinal endoscopy system that incorporates CAD technology for enhanced visualization of blood vessels and software features that are compatible with artificial intelligence applications.