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MARKET REVIEW

Emerging markets equities rose in July, led by Europe, the Middle East, and Africa (EMEA) and followed by Latin America and Asia.

In Latin America, Brazil's Finance Ministry maintained its 2024 economic growth forecast at 2.5% but raised its inflation estimate to 3.9%. Mexico's second-quarter GDP slowed to 1.1% year over year, from 3.2% in 2023, while headline inflation accelerated more than expected in June, complicating the central bank's path to lower interest rates. Venezuela severed diplomatic relations with many other Latin American countries who voiced doubt about the legitimacy of its presidential election results.

In EMEA fears of wider conflict in the Middle East intensified after Hamas's political leader Ismail Haniyeh was assassinated in Iran. In Saudi Arabia, crude oil exports fell to recent-year lows that were barely above amounts reported at the beginning of the pandemic. South Africa's central bank kept interest rates unchanged, but softer inflation in June increased the likelihood that rates would be lowered this year.

In Asia, China's economy lost momentum as second-quarter GDP grew 4.7% annually, well below the consensus estimate of 5.1% and slower than first-quarter growth of 5.3%. Low credit demand, tame inflation, and disappointing retail sales in June underscored weak consumption, although industrial production exceeded expectations. Taiwan's second-quarter economic growth of 5.09% beat expectations, aided by robust demand for AI. In India, the IMF raised its 2024 – 2025 economic growth forecast to 7.0%, from 6.8%.

FUND PERFORMANCE AND ATTRIBUTION

Over the month, the portfolio delivered modestly positive absolute performance, marginally underperforming the MSCI Emerging Market index. Six out of eight themes delivered positive returns, led by the Healthcare Provision and Financial Market Deepening themes, while Smart Data and Digital Connectivity detracted from total returns.

At the issuer level, our top two absolute contributors were Cia de Saneamento Basico and Mahanagar Gas Ltd, while our top two absolute detractors were ENN Energy and Kanzhun.

Shares of Cia de Saneamento Basico do Estado de São Paulo, also known as Sabesp, rose over the period. The state government of São Paulo sold over 191 million of its existing shares, giving up control of the Brazilian water and waste management company in a massive secondary offering worth roughly \$2.7 billion. Shares of ENN Energy Holdings, one of the largest clean energy distributors in China, fell over the period. Chinese equities declined in July amid weak economic activity and poor consumer sentiment.

FUND POSITIONING AND OUTLOOK

In terms of positioning, our investment process, which relies on both fundamental inputs as well as proprietary quantitative models, is currently most constructive on Environmental Consciousness and Social Empowerment. Both themes are currently exhibiting positive price momentum and attractive valuations relative to historical levels. On the other hand, we are underweight Automation & Robotics and Financial Market Deepening which are exhibiting less attractive near-term signals across all indicators (valuation, profitability, price momentum, and earnings revisions).

Despite recent volatility, we do not believe there has been a fundamental change to the trajectory of the global economy, as growth moves from robust to cooler conditions. With this, we are anticipating cuts to the Fed funds rate in coming months and a weakening US dollar which may be favourable for emerging markets equities and help with a broadening of equity market returns (away from a concentrated few). For now, we are closely monitoring risk but believe that our diversified portfolio positioning across themes – and lack of concentrated single stock positions – should position the portfolio well if volatility does persist.

PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

Fund performance is based on USD S Acc share class and are net of fees and expenses. Other share class performance may differ. | Index used in the calculation of attribution data: MSCI Emerging Markets. | Fund performance is net of actual (but not necessarily maximum) withholding and capital gains tax but are not otherwise adjusted for the effects of taxation and assume reinvestment of dividends and capital gains. | If an investor's own currency is different from the currency in which the fund is denominated, the investment return may increase or decrease as a result of currency fluctuations. | The views expressed are in the context of the investment objective of the Fund only and should not be considered a recommendation or advice.

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CAPITAL: Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. **CURRENCY:** The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility. **EMERGING MARKETS:** Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks. **EQUITIES:** Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **LIQUIDITY (MKT):** The Fund may invest in securities that are less liquid and may be more difficult to buy or sell in a timely fashion and/or at fair value. **MANAGER:** Investment performance depends on the investment management team and their investment strategies. If the strategies do not perform as expected, if opportunities to implement them do not arise, or if the team does not implement its investment strategies successfully; then a fund may underperform or experience losses. **SMALL AND MID-CAP COMPANY:** Small and mid-cap companies' valuations may be more volatile than those of large cap companies. They may also be less liquid. **SUSTAINABILITY:** A Sustainability Risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

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