

OUR DIFFERENTIATED VALUE APPROACH HAS DRIVEN OUTPERFORMANCE THIS YEAR

A DISCIPLINED VALUE APPROACH TO OUTPERFORM THE RALLY IN GEM

At Eastspring, we believe that markets are inefficient in the short to medium-term and are often driven by participants' behavioural biases such as overreaction to new information or herding mentality. Prices would tend to rise and fall to a greater extent than rationally justified by companies' fundamentals, pushing valuations to extremes. As these biases are systematic, they can be exploited by disciplined long-term investors.

These observations form the basis our stock picking philosophy and process.

The most attractive opportunities lie in these areas of the market neglected by the "wisdom" of crowds. As a result, the stocks we own tend to be contrarian investment ideas compared to market consensus. Building attractively valued positions in stocks others are avoiding underpins our ability to deliver longer-term performance and differentiate our Fund.

In 2016, the best performance in Emerging Markets came from Latin America (+46%) and Brazil (+86%) in particular. Brazil is a great example of how we differ from consensus.

It was a dismal market until early 2016 amid significant GDP growth downward revisions in 2014/2015 and earnings disappointments. This price episode provided us with an

opportunity to build high conviction positions in undervalued Brazilian stocks. Despite short term performance headwinds, we persisted and added further to our Brazilian stocks in the early part of the year. Common to all our positions was extreme under-valuation based on either recent earnings disappointment (Estacio Participacoes) or excessive pessimism over macro outlook (Banco do Brasil), aggressive competition in a downturn (Localiza Rent a Car), fears over regulatory changes (Qualicorp) or simple uncertainty (Bradespar).

Subsequently, all of these positions have performed extremely well given their valuation starting point and stock selection in Brazil has been the biggest contributor to performance this year. The important point is that we are now exiting or trimming several of these stocks just as Brazil is now the largest consensus overweight in GEM outside Asia.

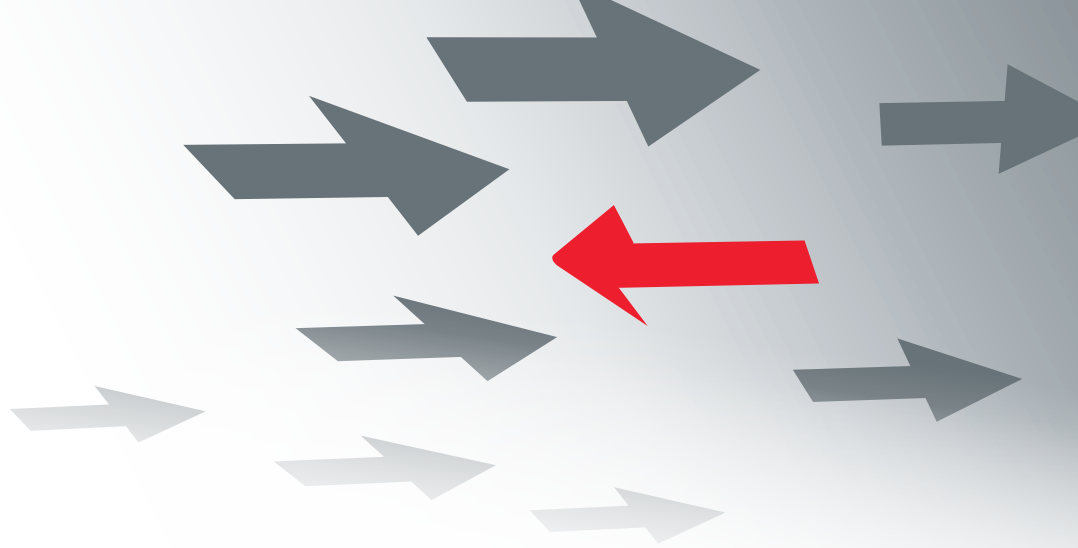
Despite the rally in 2016, the value opportunity has not disappeared and the portfolio is well positioned to capture the rest of the correction!

¹ Bloomberg, MSCI EM Latin America TR, in USD, as at 31 October 2016.

² Bloomberg, MSCI Brazil TR, in USD, as at 31 October 2016.

³ EPFR Global data, JPM Consensus Asset Allocation, September 2016.





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