Latin American Fund

QUARTERLY LETTER | FOURTH QUARTER 2019

The Latin American Fund aims to achieve capital growth by investing in a concentrated portfolio of high-quality Latin American growth companies. The Fund seeks high absolute returns over the long term and minimises the level of long-term risk by choosing well-capitalised, high-quality investments at reasonable valuations.

INTRODUCTION

RUPERT BRANDT, CFA
Portfolio Manager

PETER CAWSTON
Portfolio Manager

The Brown Advisory Latin American Fund returned 11.1% (net of fees) in the fourth quarter and 8.2% (net of fees) in 2019. We continue to believe the region is entering a multi-year economic upcycle, led by Brazil which is passing a series of pro-productivity reforms just as it emerges from a bad recession. This sets the scene for a prolonged period of strong growth in this top-ten global economy. At the same time record-low interest rates are driving a reallocation of domestic capital from debt to equities – something we think could spark Brazil's first ever domestically-driven bull market.

At the end of the quarter we had 70.4% invested in Brazil, 12.9% in Peru, 8.7% in Colombia, 3.4% in Chile, 3.5% in Argentina, and 0% in Mexico. Cash was 1.1%. We added a little to Brazil in the quarter but most of the changes compared to 3Q19 were driven by market movements.

Our portfolio remains attractively valued at 14.7x 2020 forecast earnings and 13.3x 2021 forecast earnings[1]. We invest in high quality private sector growth companies which we expect to compound their earnings per share in double digits for many years to come. The Fund's average adjusted return on equity is 18%[2]. Valuation matters because we think we are moving from a period when macro news-flow dominated markets into one where bottom-up fundamentals will be the main driver.

The six currencies we invest in trade at an average of nearly one standard deviation below their 20-year inflation-adjusted average against the US dollar. Latin American currencies often trade in correlation with Latin American economic performance. We believe that we are in the early days of an economic upcycle in the countries where our investments are focused, and expect these currencies to appreciate against the US dollar over the medium term.

In the fourth quarter we spent three weeks in Brazil, taking the total for the year to sixteen weeks in six countries.

FUND WEIGHTS

Country Breakdown (31.12.19)

COUNTRY	% WEIGHT	QTD % CHANGE
Brazil	70.4	+6.3
Peru	12.9	-3.6
Colombia	8.7	-1.0
Chile	3.4	-1.4
Argentina	3.5	+0.8
Mexico	0.0	-0.8
Cash	1.1	-0.2

Source: Factset®. Figures may not add to 100% due to rounding. Geographic breakdown is by country of risk and includes cash and cash equivalents. Data as of 31st December 2019.

[1] Source: Factset, Bloomberg and Broker Estimates. Data as of 31st December 2019. The total 2020 and 2021 PE is a weighted harmonic average for all holdings with a positive PE ratio. Please see the end of this letter for methodology, exclusions and important disclosures.
[2] Source: Factset, Bloomberg and Broker Estimates. Data as of 31st December 2019. The unadjusted ROE is 6%. Please see the end of this letter for methodology, exclusions and important disclosures.

PERFORMANCE

Over the quarter, our NAV returned 11.1% in US dollars, net of fees. The market's reaction to the successful passage of Brazil's pension reform was the main catalyst: our Brazilian positions added approximately 11.8% to our NAV in the quarter[3]. Of these Brazilian names Lojas Americanas, which we discussed in detail in our 3Q letter, was our biggest contributor (up +72.8%), adding approximately 2.0% to our gross performance[3]. Arezzo, a fast growing local omni-channel retailer that bears comparison to Inditex in its early years (up +34.0%), added 1.2%. Marisa, the leading value apparel retailer (up +44.3%), added 1.1%. Banco Bradesco, which we bought in 3Q19 (up +13.7%), added 1.0%. And Lopes, the leading real estate broker in Brazil (up +23.5%), also added 0.9%[3]. These companies should all clearly benefit from an acceleration in Brazil's economy, which the market is starting to anticipate now that the pension reform has passed.

Over the full year, our NAV produced a total return of 8.2% in US dollars. Returns would have been in the mid-teens if Argentina's election hadn't been so disappointing. Our Brazilian positions appreciated by 31.8% over the year in gross US dollar terms and contributed 18.4% to the NAV. Argentina detracted approximately 6.3% from our absolute returns, with currency making up the largest part of this. Our Argentine weight is now approximately 3% of our NAV. The Andean Bloc was a minor negative contributor for the year, and positive contributions from Peru and Colombia were more than offset by a negative contribution from Chile, which experienced a significant selloff in both stocks and currency after the protests there. Mexico was a mild net positive contributor.

Argentine stocks made up three of our five main detractors for the year. The other two were CVC and Falabella. CVC is the leading travel agency group in Brazil. The unexpected bankruptcy of Brazil's third largest airline in May resulted in the company suffering from some short term disruptions in its financial performance. Whilst these issues might still be present in 1H20, we believe that from 2H20 this company is highly likely to return to delivering excellent results. We took advantage of the sell-off to add to our positon in 4Q19 and may add again after 1Q20 results. Falabella is a leading omni-format retailer with significant operations in 6 countries. It is currently investing in ecommerce to the detriment of margins, but we think this will be temporary and Falabella is likely to be one of the long term winners of Latin American retail. Falabella's largest operation is in Chile, so the protests impacted its stock price, and we are working to determine whether this creates a buying opportunity.

As we have discussed in the past, the Brazilian tax authorities have designated Ireland as a tax haven for the time being. This means that we accrue a tax liability on capital gains on locally listed Brazilian shares (but not on Brazilian ADRs). The Brazilian tax authorities took a similar stance with Switzerland but reversed the decision after a few years. We are continually monitoring this ruling with advice from our tax advisors, and we are being kept informed of ongoing negotiations with the Irish and Brazilian tax authorities. The impact of the CGT accrual currently stands at around 2.4% in 2019, and when an agreement has been reached with Brazil and Ireland, we expect the accrual to be reversed and added back into the NAV.

PERFORMANCE CONTRIBUTION

Largest Contributors Q4 2019		
STOCK NAME	**COUNTRY**	**CONTRIBUTION TO RETURN (%)**
Lojas Americanas S.A.	Brazil	2.0
Arezzo Industria e Comercio S.A.	Brazil	1.2
Marisa Lojas S.A.	Brazil	1.1
Bolsas y Mercados Argentinos SA	Argentina	1.0
Banco Bradesco S.A. Sponsored ADR Pfd	Brazil	1.0

[3] Source: Factset®. Figures are gross of fees and taxes. Data as of 31st December 2019. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Security returns listed represent the period when the security was held during the quarter. Contribution to return is calculated by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return for the reporting period. Numbers may not total due to rounding.

Largest Detractors Q4 2019		
STOCK NAME	**COUNTRY**	**CONTRIBUTION TO RETURN (%)**
CVC Brasil Operadora e Agencia de Viagens SA	Brazil	-0.7
S.A.C.I Falabella	Chile	-0.5
Inversiones La Construccion SA	Chile	-0.4
Parque Arauco S.A.	Chile	-0.2
InRetail Peru Corp.	Peru	-0.1

Largest Contributors 2019		
STOCK NAME	**COUNTRY**	**CONTRIBUTION TO RETURN (%)**
B3 SA - Brasil, Bolsa, Balcao	Brazil	2.8
Marisa Lojas S.A.	Brazil	2.0
InRetail Peru Corp.	Peru	1.6
TOTVS S.A.	Brazil	1.4
EcoRodovias Infraestrutura e Logistica S.A.	Brazil	1.3

Largest Detractors 2019		
STOCK NAME	**COUNTRY**	**CONTRIBUTION TO RETURN (%)**
Bolsas y Mercados Argentinos SA	Argentina	-2.5
Loma Negra Compania Industrial Argentina SA	Argentina	-1.3
CVC Brasil Operadora e Agencia de Viagens	Brazil	-1.3
S.A.C.I Falabella	Chile	-1.1
Grupo Financiero Galicia SA Sp. ADR Class B	Argentina	-1.0

Source: Factset®. Figures are gross of fees and taxes. Data as of 31st December 2019. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Security returns listed represent the period when the security was held during the quarter. Contribution to return is calculated by multiplying a security's beginning weight in the portfolio by the security's return on a daily basis, and geometrically linking the return for the reporting period. Top and bottom contributors include cash and cash equivalents.

FX Contribution to Return	Q4 2019
TOTAL	**2.8**
Argentinian peso	-0.1
Brazilian real	2.4
Chilean peso	-0.1
Colombian peso	0.5
Mexican Peso	0.0
Peruvian sol	0.1
Cash	0.0

FX Contribution to Return	2019
TOTAL	**-6.4**
Argentinian peso	-3.5
Brazilian real	-2.1
Chilean peso	-0.4
Colombian peso	-0.3
Mexican Peso	0.1
Peruvian sol	-0.2
Cash	0.0

Source: Factset®. Figures are gross of fees and taxes. Data as of 31st December 2019 and includes cash and cash equivalents. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable.

BRAZIL

Brazil appears to be exiting the economic downturn of the last five years and entering an upcycle. Since 1950, Brazil has only been in recession 12% of the time and it is an economy that naturally grows. This coming upcycle promises to be a vintage one. We think the pieces are in place for a robust credit cycle which should support overall GDP growth. Inflation has fallen to approximately 4% and looks well anchored there. Interest rates are 4.5%, down from double digit levels a couple of years ago, and look set for their first ever multi-year period in the single digits. Private sector banks are healthy and willing to lend, and there is plenty of pent-up demand after a period of deleveraging for both the consumer and corporate sectors.

The pension reform passed last October and was better than the market hoped for. This makes it possible to deal with Brazil's hitherto structural fiscal deficit over the medium and long term and has injected a sense of confidence and animal spirits into the economy and capital markets. It also seems likely that the country will be upgraded to investment grade again as its fiscal deficit improves over the medium term. We believe that the economy passed a positive inflection point in 4Q19 and will be one of the only major global economies clearly accelerating in 2020. Given investor concerns over the European, Indian and Chinese slowdowns, Brexit, and the length of the current US expansion, we believe interest in Brazil will rise. But for the first time, domestic flows may be more important. The sharp reduction in local interest rates is starting to push local investors out of fixed income and into equities. The Brazilian mutual fund industry has over US$1 trillion of assets under management (currently less than 10% in equities), yet the stock market only trades about US$4b per day. This movement in local asset allocation could consequently become a significant positive catalyst and we think we are entering Brazil's first ever domestically driven equity bull market.

It's interesting to note that there has started to be a change in leadership in the domestic market since the pension reform passed. The market is no longer being driven by utilities, state owned companies and commodity companies, but has started to be led by domestic growth cyclicals and domestic growth companies. In 4Q19, our Brazilian portfolio returned just over 17% (gross) in US dollar terms and over the year it returned 32%[3]. We have approximately 70% of our NAV invested in Brazil, all of it in high quality Brazilian growth stocks and growth cyclicals which we expect to be amongst the best performing parts of the Brazilian stock market as the upcycle unfolds.

One very important feature of this upcycle is that it is likely to be entirely driven by the private sector. The government is actively reducing the size of the state sector through a combination of tight fiscal policy, reducing the size of public sector companies, untangling the cross ownership of public sector companies, outright privatisations, and the privatisation of government investment through concession auctions. In the first few days of January, Brazil's state owned development bank (the BNDES) has announced that it has hired Credit Suisse to lead the sale of its US$6b stake in Petrobras, and a motorway concession involving capex and concession fees totalling US$4b has been successfully auctioned. We expect to see similar announcements most months over the next several years. Having the private sector increase as a per cent of GDP will increase the quality of growth and support private sector earnings momentum and sentiment. Similar periods in the UK and US economies in the 1980s and 1990s, when the neutral level of interest rates fell and the private sector increased its share in overall GDP, were also associated with clear equity multiple expansions. We expect something similar in Brazil.

The banking sector is a good example of how Brazil's economy can shift from public to private. Public sector banks are roughly half the banking system in Brazil, with private sector banks making up the other half. If the whole sector grows in line with nominal GDP, which is a conservative estimate, it should grow at 5-7% per annum. The public sector banks are unlikely to grow under the current government so the private sector should capture all of that, and grow at 10-14% per annum. As the private part of this industry is dominated by just three banks, that should result in a very rational pricing environment for banks, which should be able to protect net interest margins despite the decline in interest rates. We own the two leading private sector banks and believe that they will both perform well in this cycle. Both are well capitalised, prudently managed universal banks and we expect good momentum from both their traditional credit businesses and their large non-credit businesses. Because the non-credit businesses are very cash generative, we expect both banks to be able to grow their risk weighted assets by 10-15% a year and pay out 50-60% of earnings as dividends without reducing their capital ratios. This should provide us with compound earnings per share growth of 10-15% and a 5% or so dividend yield that should grow in line with earnings.

One thing we really want to emphasise is the quality of Brazil's private sector. We find it easy to find growth companies with returns on invested capital well above their cost of capital in Brazil. We believe these companies can compound earnings per share in double digits for many years to come. This has been absolutely instrumental in enabling us to build up such a large weight in this market.

We reviewed Lojas Americanos in our third quarter letter. They are one of the clear leaders in developing the e-commerce industry from their starting point of being a highly profitable bricks and mortar retailer, but the stock is far cheaper than ecommerce peers. When we reviewed it the stock was down year to date, and we took it up to a top five holding. In the fourth quarter, the stock rallied by 39% in US dollar terms taking its full year return to 28%[3]. We expect Lojas Americanos to be a very long term holding and to generate a lot of value over the coming years.

CHILE

We have had a small weight in Chile for some time because we have always felt that once you have adjusted for risks and growth, valuations were better in Peru and Colombia. We did not expect the explosion of protests that rocked Chile in 4Q19, but we were relatively insulated from the impact.

Chile has been one of the world's most successful economies of the last 40 years, and it is one of the best adverts for free markets that we know of. However, its social safety net has not kept up with its level of wealth and the lower end of the new middle class don't feel secure. Whether that really explains what happened is uncertain and some aspects of the protests look highly organised, Chile's lack of a social safety net is a genuine underlying problem, and the protesters have won a number of concessions. The most important of these is the possibility of a new constitution.

Chile is risk averse and we expect it to come out of its constitutional rethink as a stable, broadly pro-market, social democracy capable of sustained economic growth. In other words, we expect an evolution, not a revolution. But the journey will be noisy. In April, there will be a referendum to decide whether a new constitution should be drafted and who should do it – the answer will almost certainly be yes. In October there will be elections for a new constitutional assembly. That assembly will have a year to draft the new constitution, which it must pass with a 2/3rds majority. And finally, there will be a referendum to approve the new constitution, probably in late 2021. This process will dominate Chile for the next couple of years, and there will be a barrage of ideas and headlines, some of them worrying. Our sense is that there will be an opportunity, but not yet.

Pete will spend 6 weeks in Chile in February and March 2020. This will be a really good opportunity to get under the skin of what is happening there and how things might evolve. There are some wonderful companies in Chile, but buying them means selling wonderful companies elsewhere, so we will only act if we see a compelling risk/reward imbalance.

PERU

Peru's economy has been in a mini-slowdown for the last few months. We don't read much into this; economic accelerations in the region don't go in a straight line. We think Peru's economy will reaccelerate through 2020 and is likely to compound at 3-4% over the next few years. Our three core holdings in the country remain some of the highest-quality and best-managed compounders we own and their valuations have come down a little over the last few months, so we remain very happy holders. We did, however, sell our small holdings in two Peruvian cement companies in 4Q19. These holdings were never core, but were part of the "cyclicals basket" we have written about several times in recent years. They were attractively valued compared to their earnings potential and cash flows, but we felt we had better ideas given the combination of a slower economy in Peru and improved prospects in Brazil.

COLOMBIA

Colombia's economy is growing at slightly over 3% and should do something similar in 2020. This is a solid environment for our investments in the country, which include food, restaurants, insurance, banking, and financial markets. All of these sectors are underpenetrated, so revenues can grow faster than GDP; and all of our companies have some degree of operating leverage, so operating profits can grow faster than revenue. Finally, two of our three holdings in Colombia have financial leverage, so net profits can grow faster than operating profits. Valuations vary between very reasonable and very cheap, so as earnings momentum becomes clear we think the stocks can really move. We believe this process started in 2019 and will continue in 2020.
Pete will spend 6 weeks in Colombia in the second half of 2020, which will allow for an even deeper dive than normal into the country and its companies.

MEXICO

We continue to have a cautious view on Mexico. We are concerned that the new president is intervening in the economy and undermining Mexico's regulatory institutions. For example, he recently coerced many of the privately owned pipeline concessions auctioned under the energy reform to lower their tariffs. Having done this, this month he announced expensive and time-consuming route changes. This sort of intervention really damages confidence in Latin America and is causing companies to scale back their investment plans. As a result, the labour market is also showing clear signs of slowing down. Further damaging corporate confidence, Andrés Manuel López Obrador (AMLO) has announced a 20% increase in the minimum wage for 2020 following a 16% increase in 2019. In the face of these headwinds the Mexican economy stagnated in 2019 despite a strong US economy.

On the positive side of the ledger the US Lower House of Congress approved the USMCA, which replaces NAFTA. Despite a relief rally in the fourth quarter, the Mexican market did not keep up with its regional peers in 2019. Valuations of high-quality large-cap Mexican consumer companies remain full. Less liquid stocks and banks look more attractively valued but aren't tempting given the complicated local macro situation.

AMLO is in power for at least another five years so we don't see these issues as likely to go away soon. We have exited our positions in Mexico, but will monitor Mexico with an open mind.

ARGENTINA

As we reported in the 3Q letter, we have exited all but one of our Argentine positions. Our one holding is in BYMA, which has the monopoly in both on-shore financial asset custody and the local stock exchange. Asset custody is structurally growing and generates about eighty per cent of the company's cash flows. The stock began to re-rate in the fourth quarter.

CONCLUSION

Our fund is concentrated in Brazil, Peru and Colombia. Brazil is particularly exciting and is a large position for us. An ambitious reform programme combined with a promising starting point – Brazil had its worst recession ever in 2015-2016 and GDP hasn't grown much since – have laid the foundations for what we think will be a strong, sustained economic upcycle driven by the private sector. This should be very good for corporate profits and equity returns. On top of this Brazil has all-time-low interest rates which are driving a reallocation of domestic savings from debt to equity.

We believe that our portfolio of high-quality domestic companies is capable of rapid earnings growth in the kind of environment we think we are entering. On consensus forecasts the portfolio trades on a weighted average 14.7x 2020 earnings and 13.3x 2021[4]. The implied growth rate of earnings is 17% in 2020 and 11% in 2021[5].

We believe that as the economies we invest in start to accelerate and grow more rapidly, local stock multiples and local currencies are likely to be positively revalued and this should also support our medium term NAV returns.

The Latin American Team
Portfolio Managers: Rupert Brandt, CFA & Peter Cawston

[4] Source: Factset, Bloomberg and Broker Estimates. Data as of 31st December 2019. The total 2020 and 2021 PE is a weighted harmonic average for all holdings with a positive PE ratio. Please see the end of this letter for methodology, exclusions and important disclosures.
[5] Source: Factset, Bloomberg and Broker Estimates. Data as of 31st December 2019. Implied EPS Growth Rate is for 2020 and 2021. Please see the end of this letter for methodology, exclusions and important disclosures.

Annual Performance	Latin American Fund
Inception to Year end 2006	17.90%
2007	19.08%
2008	-55.34%
2009	142.11%
2010	34.43%
2011	-23.44%
2012	35.02%
2013	-7.55%
2014	-7.83%
2015	-35.54%
2016	24.60%
2017	25.68%
2018	-16.76%
2019	8.22%
Cumulative performance since inception	62.75%

Source: BBH. The performance shown above includes the performance of the Findlay Park Latin American Fund between 10 October 2006 and 28 March 2018 which merged into the Brown Advisory Latin American Fund on 30 April 2018. Past performance is calculated using the U.S. Dollar class of share and net of fees. The Brown Advisory Latin American Fund was launched under Brown Advisory's Irish UCITS umbrella on 30 April 2018. Data as at 31st December 2019.

Sector Breakdown		
SECTOR	**FUND WEIGHT %**	**QTD % CHANGE**
Consumer Discretionary	26.0	+7.5
Banks	18.7	+0.3
Consumer Staples	16.2	-5.0
Financial Exchanges	8.5	--
Private Education	7.5	+2.3
Real Estate Brokers	4.4	+1.5
Health Care	4.0	--
Shopping Malls	3.8	-1.7
Other Financials	3.6	-0.8
Transportation	2.6	-1.4
Utilities	2.4	-0.1
Technology-Services & Software	1.2	-1.2
Cash	1.1	-0.2

Source: Factset®. Data as at 31st December 2019 and includes cash and cash equivalents. Sectors are based on a custom classification as classified by the Brown Advisory Latin American Fund portfolio managers. Numbers may not total 100% due to rounding.

Top 10 Positions Q4 2019

SECURITY	COUNTRY	FUND WEIGHT (%)
Itau Unibanco Holding S.A. Sponsored ADR Pfd	Brazil	7.7
Banco Bradesco S.A. Sponsored ADR Pfd	Brazil	7.1
Ambev SA Sponsored ADR	Brazil	6.1
Lojas Americanas*	Brazil	6.1
Grupo NutresaS.A.	Colombia	5.7
InRetail Peru Corp.	Peru	5.1
B3 SA -Brasil, Bolsa, Balcao	Brazil	4.0
Lopes Brasil-Consultoria de Imoveis SA	Brazil	3.9
Alicorp SAA	Peru	3.9
Credicorp Ltd.	Peru	3.9

*Source: Factset®. Data as at 31st December 2019. *Lojas Americanas represents a 3.3% holding in Lojas Americanas S.A. and a 2.8% holding in Lojas Americanas SA Pfd. Top 10 holdings include cash and cash equivalents. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable.*

Largest Purchases Q4 2019

STOCK NAME	COUNTRY
Vivara Participacoes SA	Brazil
Ambev SA Sponsored ADR	Brazil
YDUQS Participacoes S.A.	Brazil
Lopes Brasil-Consultoria de Imoveis SA	Brazil
CVC Brasil Operadora e Agencia de Viagens SA	Brazil

Largest Sales Q4 2019

STOCK NAME	COUNTRY
EcoRodovias Infraestrutura e Logistica S.A.	Brazil
TOTVS S.A.	Mexico
Iguatemi Empresa de Shopping Centers S.A	Brazil
M. Dias Branco SA Industria e Comercio de Alimentos	Brazil
Wal-Mart de Mexico SAB de CV	Mexico

Largest Purchases 2019

STOCK NAME	COUNTRY
Banco Bradesco S.A. Sponsored ADR Pfd	Brazil
Ambev SA Sponsored ADR	Brazil
Fleury SA	Brazil
Vivara Participacoes SA	Brazil
Itau Unibanco Holding S.A. Sponsored ADR Pfd	Brazil

Largest Sales 2019	
STOCK NAME	**COUNTRY**
B3 SA -Brasil, Bolsa, Balcao	Brazil
Grupo Financiero Banorte SAB de CV Class O	Mexico
Wilson Sons Ltd	Brazil
Iguatemi Empresa de Shopping Centers S.A	Brazil
Grupo Financiero Galicia SA Sp ADR Class B	Argentina

Source: Factset®. Data as at 31st December 2019. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable.

Methodology, Terms & Definitions

Our portfolio stats are downloaded from Bloomberg and Factset. In the few cases where Bloomberg and Factset do not have data we source forecasts from individual brokers and historic data from company financials.

Several of the differences between the unadjusted and adjusted portfolio statistics stem from the fact that over the last two years we have allocated about 5% of our portfolio to high quality cyclical small cap stocks in Brazil. Because they are cyclical these stocks are making losses or very small profits as they exit Brazil's major 2015-6 recession. We do not believe this performance is representative of their earnings power as the cycle normalises so we strip them out of some of the statistics so that the characteristics of the core portfolio holdings can be seen more clearly.

PE Methodology:

The total 2020 and 2021 PE is a weighted harmonic average for all holdings with a positive PE ratio. PE ratios are sourced from Bloomberg or Broker Estimates selected by the portfolio managers.

ROE Methodolgy:

Unadjusted ROE: 6%.

Adjusted ROE: 18% .

We show Return on Equity excluding acquisition-related intangibles as a measure of the barriers to entry our businesses possess and of their ability to internally fund organic growth. We believe the substantial majority of future growth will be organic. Most of the goodwill at these companies relatestoone-off acquisitions that are unlikely to be repeated in the future. We make a number of other more minor adjustments which we can explain on request.

EPS Growth Rate Methodology:
Implied EPS Growth Rate for 2020 and 2021, year over year.

All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted. FactSet® is a registered trademark of FactSet Research Systems, Inc.

An investor cannot invest directly into an index.

Market Capitalization refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: Weighted Average: the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation); Weighted Median: the value at which half the portfolio's market capitalization weight falls above and half falls below; Maximum and Minimum: the market caps of the largest and smallest companies, respectively, in the portfolio.

Net Debt to EBITDA Ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The net debt to EBITDA ratio is a debt ratio that shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant. If a company has more cash than debt, the ratio can be negative

FX Return is the actual rate of return of a currency over a given period of time

Local Currency and Local Currency Return refer to the currency in which a security is denominated and its rate of return over a given period of time; e.g. a Colombian equity is denominated locally in Colombian Pesos.

Contribution to Return is a security's impact on the actual rate of return for a pool of investments over a given time period. All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holding, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average.

Disclosures

Past performance is not a guarantee of future performance and you may not get back the amount invested.