

Colin: I'll go ahead and begin. It looks like we've got a number of people online. So, as I mentioned a moment ago, my name is Colin Pritchard and I am on the Pzena team managing our broad RBC relationship. We'll have some slides available today to guide us through our discussion. And you'll see my colleague Peter Quinn's contact information there. Peter is our main RBC contact but he and I work closely together and he couldn't join us today so I am pinch hitting and I hope you find this to be a very useful and informative discussion. Pzena offers five proprietary mutual funds to RBC's clearing and custody channel. And we're going to discuss one of them today to kind of frame our discussion and that's our emerging markets fund which is managed by one of our PMs, one of whom will join us today, Akhil Subramanian. That fund, PZEX is the ticker — like Paul Zebra Igloo Edward X-ray — is rap eligible. I will hand the conversation over to Akhil momentarily but first wanted to give you a brief, brief, you know, 30,000 foot view of Pzena. Here at Pzena, we do one thing and one thing only and that is value investing. And that has been the case ever since we opened our doors in 1995. And we have applied the same process across all of our strategies over these last three plus decades. We take a long-term 3 to 5 year investment horizon and construct concentrated high conviction portfolios of companies that we say we'd be willing to own in their entirety. We find these opportunities by way of a strict, disciplined, repeatable process. And I think that that discipline has been a a driver of our firm's success. People respect Pzena for our dedication to the value philosophy and know that they can count on us to stick to our knitting without deviating. That bears out in the fact that we have had positive net flows for much of the last decade. I believe it's eight of the nine last years which is an accomplishment in an environment that has not been particularly favorable to value investing. Today we manage \$80 billion dollars for clients around the world. And I think in addition to our unique research approach which Akhil will touch on momentarily, one key thing that sets Pzena apart from other firms on the street is the high degree of employee ownership in the business. We have 165 employees and 77 of the employees are partners. One thing that I think also probably makes sense to to discuss is our name because it's a bit unusual. Pzena takes its name from our founder Rich Pzena who was the head of US equities research at Sanford Bernstein before he set out on his own in 1995. Not surprisingly, given Rich's purview at Bernstein, when we first opened our doors, we were a US-focused shop in terms of our strategy offerings and not surprisingly also in terms of our client base. But today we have grown — if we actually could go up to a couple slides ahead — this will show you the evolution of our strategy offerings, but we have grown to be fully global in terms of our scope of clients and strategy offerings. Like I said, the strategy that we are going to talk about today is our emerging market strategy which is about 9 billion in assets under management and the fund specifically available to you all has about 4 billion in assets under management. Akhil co-manages this strategy with three other portfolio managers. That's a key to our management process here. We always have a number of managers on our strategies and this is one of our most popular strategies. So I do think that you've got a great person here to learn from a little bit about what we do here at Pzena today. And with that I will hand it over to Akhil. And one other thing — at the end of this we'll have some time for questions and answers. Feel free to let us know if there's anything in particular you would like to discuss. And with that, Akhil, please take it away.

Akhil: Thanks, Colin. Welcome everyone. Thank you for joining us on this webinar where we will discuss our philosophy and process and then also some details around our emerging market strategy. Just before that, just to set the scene, I'll just give you a little bit of background about our team and how we're set up. If you wouldn't mind turning to page six. Yeah, perfect. So this is

our entire investment team. One important thing to note is when you buy Pzena you are buying the entire investment team. Each of these people — the 30 individuals — are sitting together in New York and we service all of our strategies. So that includes our international emerging markets, international small cap, small cap and midcap mutual funds. So our entire investment team is pursuing this one value mindset of looking for undervalued securities across different strategies that we manage at Pzena. Some distinctive things about how our team is set up. We have a co-PM structure. So as Colin mentioned, each strategy at Pzena is managed by a team of two to four portfolio managers. On emerging markets there are four of us. If you can see on the page, up at 2:00 you'll see Allison Fisch and Caroline — those are two of my co-PMs — and then at 3:00 Rakesh Bordia, he is the third co-PM. So in emerging markets we have a four-person PM structure and we leverage the entire analyst team on this page. Each of our analysts at Pzena cover sectors globally, so what that means is an analyst who is covering autos is looking not just at Ford and GM in North America but also at Hyundai in South Korea, BMW in Europe, and they really have that global perspective which is what allows them to look across geographies when they're looking at any particular sector. Another very distinctive thing about our investment process is that we rotate coverage of analysts. So unlike most firms where you'll join and cover say a sector like insurance for 25 years, we actually rotate coverage of the analysts every 3 to 5 years. We are a long-term investor. We are investing with the 3 to 5 year horizon and we find that it gives you a really refreshing perspective to have the analyst change every 3 to 5 years so that you don't get wedded to biases that you may have in covering any given business or any given sector. Everything we do, as I described by research process, is very systematic. It's very repeatable. We are searching for and identifying undervalued securities and trying to pay low multiples of midcycle earnings for them. And we think that rotating coverage of the analyst is a good way to keep anchored to what is the value proposition of a business. Why does it deserve to earn the return that it earns and what is the long-term earnings power of the business? And are we paying a low multiple for it? You'll see on the middle of this page we have a metric called normalized earnings power. Everything we do at Pzena is around paying a low multiple of normalized earnings for a business. We are a value manager. So we will tend to find businesses that are undergoing problems. There is pain in the earnings, there's pain in the stock price and this analyst team in conjunction with the PMs is really looking for opportunities where that pain is temporary. For example, a cyclical downturn. And when that pain is temporary, we are looking 5 years out at what is the normalized earnings power of the business, which is what we refer to as midcycle earnings. So it's not what you earn at the top of a cycle when things are amazing. It's not what you earn at the bottom of a cycle when things are terrible. We are looking to buy good businesses that have temporary problems and look cheap on 5-year out midcycle or normalized earnings. And as I walk you through our philosophy process, hopefully you'll get a sense that this is a systematic repeatable thing that we pursue across all of our strategies at Pzena.

Now in emerging markets, our universe is 1,500 companies and our portfolios have 40 to 80 securities. So we need to find a way to pare the universe into the most interesting value opportunities in EM. The way we do that as a beginning is that we do screening via a proprietary tool that we have. So at the beginning of our firm 30 years ago, we developed a proprietary screening tool that we use internally to help us navigate the emerging market landscape. What that tool allows us to do is it is an algorithm that calculates midcycle earnings for every single company in our universe, all 1500 of them. It is an algorithm that takes the history of the

company and then makes a forward projection to calculate the normalized earnings power of a business. Just as an example, if you have a retailer whose margins have gone between 10 and 20% over time, our screening tool or our algorithm may say, well, midcycle earnings is an average of 10 and 20, so maybe it's 15%. And what that allows us to do is on any given day like today, we can rank our entire universe from the cheapest business on price to midcycle earnings or price to normalized earnings all the way to the most expensive business on price to midcycle earnings. And for us as a disciplined value manager, what we are doing is looking at the cheapest quintile or the cheapest 20% of that ranking for investment opportunities. So in a universe of 1500 companies, we are really narrowing our opportunity set to the cheapest 300 companies in EM. And as you can imagine, if you were in the cheapest 20% on price to midcycle earnings, things have gone wrong in your sector or in your business. There's pain in the earnings. There's pain in the stock price. Analysts are downgrading the sector, downgrading the company, talking about how earnings are going to start missing if they haven't started missing already. And this is the area where we look for investment opportunities. As a value manager, we find that this is a very target-rich environment in EM because people often invest behaviorally. They aren't really thinking about fundamentals in certain areas. And when they see bad news like macroeconomic dysfunction or industry downturns, they tend to pile in and out of sectors. And what we are doing is looking within the cheapest quintile of EM for such businesses and trying to pick individual securities where we think that a problem has shown up but at the end of the day it is a temporary problem and we can buy the business at a low multiple of midcycle or normalized earnings.

So going back to the way this page is set up on page 10. Screening is an important part of what we do at Pzena and that's done through the use of this proprietary tool. It narrows the aperture of the universe to the most interesting value opportunities. When we find a business from this screen, we assign it to an analyst who will work on it. And as you can imagine, since our analysts are covering sectors globally, it's fairly obvious who should be looking at the business that we screen. If we screen a utility, it goes to our analyst Elena who covers utility. If we screen a pharma company, it goes to our analyst Jason who covers pharma. We are a long-term investor. We are thinking about 3 to 5 years out. And we really pride ourselves on doing fundamental bottom-up research. But to concentrate our resources — which is the scarce analyst team — on the most interesting ideas, when they're assigned a business to work on, we actually do what you see on that page in the middle called the initial review. This is a one to two week triage to evaluate whether this is a good business that's worthy of our time or not. So the analyst will come up with an initial view of: is this a good business? What is the pain in the earnings? What is the pain in the stock price? And does it look cheap on midcycle earnings? Once they've come up with that assessment, we meet — the four PMs on our strategy and the analyst — and we discuss these key issues and we are really triaging to figure out whether we should move forward and make it a full research project, or whether for whatever reason it is like the next Kodak cameras or Blackberries, something in structural decline that we should be avoiding. Once we ascertain that it's actually a good business facing a temporary problem, we will really start to do a deep dive where we are bringing to bear our ability to do deep fundamental research. We are talking to customers, competitors, suppliers, whatever is relevant to the issue at hand. We bought a business in Q4 that makes apparel. It's a Chinese company called Shenzhou. Their main customers are Nike, Adidas, Uniqlo. And these are the kinds of customers we would be soliciting when we're looking to understand whether this is a good business or not. So for us, the full

research project can take 1 to 3 months because we really want to do a deep dive to understand the key issues affecting the business today because we are a long-term owner.

For us to buy a business at the end of this full research project, two things have to happen. One, we truly have to believe that it's a temporary problem. This business is not in structural decline. The knock on value managers is we like to buy risky lever junky stuff. We're not trying to do that. We really are trying to find good businesses with temporary problems. So for us to buy the business, we have to believe that it's a temporary problem. And the second thing goes to our strict valuation criteria. At this point, our analyst is coming up with an estimate of what is the midcycle earnings power and we are trying to make sure that after looking at that earnings power, the price to normalized earnings — or the PE — is still in the cheapest quintile of our universe. For us, we have a very strict buy discipline. We will only buy stocks in the cheapest quintile of our universe because after all, we are a value manager. We are looking to find undervalued securities, good businesses that are facing these problems. And a really important part of our process and a really important part of driving future returns is paying low multiples for good businesses. So at the end of our research project, if we end up liking a business but it is in the second cheapest quintile of our universe, we will not buy it. We will wait until the valuation is compelling enough — i.e. it's in the first quintile — to buy the business. So hopefully you're getting a flavor of the fact that our process is quite systematic. On any given day like today, there's always the cheapest quintile of our universe which will have companies that are undergoing problems. And then from that cheapest quintile, we are doing deep dives into a subset and considering them for our portfolio and only purchasing them if they're in the cheapest quintile of our universe on midcycle normalized EPS. And for us to believe that, the analyst is spending 1 to 3 months doing a deep dive on the business.

Our sell discipline is equally as strict. We will sell stocks that get to the middle of the third quintile. You can see that on this page. The dark blue box highlights our buy discipline. We will only buy stocks in the cheapest quintile of our universe. And the cutting off of that third quintile indicates our sell discipline. It's equally as strict. When a stock appreciates in value and gets to the middle of that third quintile, we will completely exit the position because again, we stick to our value discipline. We want to give you access to the most interesting undervalued value opportunities in EM. And for us that means buying things in the cheapest quintile when there is max fear and max uncertainty and selling them when they get to the middle of the third quintile. That's typically when your sell-side analysts are double upgrading it and the good vibes are coming back. We love it when good vibes come back. But that is the time that we would be exiting companies that we own and redeploying that capital into opportunities in the cheapest quintile where there is fear and uncertainty.

Just to give you an idea of how our business does what we do: we will be buying travel stocks during COVID. We will be buying companies in cyclical sectors when those sectors are depressed. We will be buying companies that make operational screw-ups that are temporary when they've made that screw-up. People often ask us, do you invest with a catalyst? We typically don't. We invest pre-catalyst. We are looking to pay low multiples for good businesses and that will happen when the fear and the uncertainty has really reached a fever pitch and that's what allows us to pay discounted valuations for good businesses.

Just to give you an idea of what we're talking about here, the average multiple of our portfolio today is 9 and a half times midcycle earnings. So in thinking about a world of double-digit S&P multiples, we are actually basically turning away businesses at 10 times midcycle earnings because they seem too expensive for us. And that sell side — which is, you know, what is the valuation of a company in the middle of our universe, or the median valuation — it's around 19 times. So we are hoping to buy a business at 9 and a half times midcycle earnings. We're hoping to sell it at 19 times midcycle earnings, i.e. playing for a double over a 3 to 5 year investment horizon.

So hopefully you're getting the flavor of Pzena being a deep value or a classic value manager. We're pursuing this systematic repeatable process of screening the universe, doing deep dives on companies that seem undervalued, and being very strict on the price that we pay for a business and the price that we sell a business. We really do believe that being a disciplined value manager is very effective especially in a market such as EM because you have investors punishing securities that have run into trouble or that are in countries that have run into trouble and on the flip side loving them when the vibes are good and the fundamentals are improving. So we really think that pursuing this value mindset of sort of doing the opposite of what most investors are doing in EM is quite effective because on the buy side you can pay less than 10 times midcycle earnings and on the sell side you can get up to 19 times midcycle earnings.

Now, a lot of what I'm describing is quite theoretical, but hopefully we can now segue into what does a value philosophy look like when implemented across EM. And maybe we can turn — Drew, maybe we can turn to the page that shows our positioning, which I think is a couple of pages after this. Yeah, perfect, page 18. So to give you an idea of where we're finding opportunities in EM, this is our exposure today when compared to the MSCI EM index. Now, it's very important to highlight that we are a value manager and an output such as this page is really a function of our bottom-up stock picking. We do have constraints on max position size and max sector exposure, but at the end of the day, what you see here on page 18 is an outcome of our bottom-up stock picking that we pursue across EM. So, as things stand today, we're overweight financials, we're underweight information technology, and we're overweight consumer discretionary. Had we had the same discussion a couple of years ago in 2022, we probably would have been overweight information technology. At the time in 2022, we would have been going through a semiconductor downcycle and we would have had investments across the semiconductor value chain. A lot of those businesses have started to improve and benefit both from a cyclical recovery in semiconductors and then also from the advent of AI. And that's why we've moved from an overweight position a couple of years ago to an underweight position today. Those securities appreciated in value. They'd reached what we believe to be fair value and we ended up selling them and redeploying them into incremental opportunities in our cheapest quintile.

Another really good way to look at this is by country, which is on the following page please, Drew. Thank you. So the big chunky takeaways for us in terms of our geographic exposure is number one, we are overweight China. On this page you have to add Hong Kong plus China. So $21 + 9$ which is 30 versus the index 25. We're also marginally overweight Brazil, marginally overweight South Korea. And on the flip side, we are underweight Taiwan and underweight India. Across EM, Taiwan and India are two of the more expensive markets. The headline

valuations are quite high and as a result, fewer of these kinds of businesses are in our cheapest quintile and therefore fewer of them end up being in our portfolio. On the flip side, Chinese equities and Brazilian equities are quite compelling in terms of valuation and that's why we have an overweight in China and an overweight in Brazil.

Just to kind of reiterate the value point: had we had this discussion in 2019, our strategy would have been 20 points underweight China. In 2019, we would have said to you, it's really difficult to find opportunities in China because valuations are expensive. Companies like Alibaba and Tencent are trading at quite rich multiples and it's really hard to justify us owning them as a value manager. And what's happened since then is we bought Alibaba in '21, we bought Tencent in '22, and we moved from being underweight 20 points to peaking at around 10 points overweight China about a year ago and now we're five points overweight. So the strategy — which is thinking about building that cheapest quintile and researching opportunities within that — will move around across EM in terms of country and sector looking at the most undervalued opportunities. So at times like these we will end up being overweight the countries where there is fear and uncertainty and as a result compelling valuations. Simply having a country with a problem isn't enough for us. We love that level of pain. We need an additional level of company specific pain to get really interested. And so that's why our portfolio will move around to where are the different opportunities in EM across 20 plus countries and all those sectors where you can find idiosyncratic businesses that are good businesses that happen to have a problem that's weighing on the financials. It's weighing on the fundamentals. It's weighing on the valuation and we just want to pay a low multiple of midcycle earnings. And we really think that our value approach wedded with our analyst ability to do really deep fundamental research is what allows us to do what we do across EM and across our other strategies. So as things stand today, those are the big positioning notes that we would like to make in terms of how we are positioned in EM.

Just to highlight a few other points — if you wouldn't mind going to slide 37 please, Drew.

Perfect. One other point to make which we think is really important when you consider emerging markets as an asset class. So the view that people have is emerging markets tend to be countries that are growing. They have higher GDP growth than developed markets. And therefore a growth mindset or a growth approach can be quite effective in EM. That all makes sense to us. It's great to have a company with a massive TAM — massive total addressable market — pursuing a strategy of building into this TAM, and whether there is good or bad macro they will survive. All of that makes sense to us, but we decided to just look at what does a value approach look like in terms of long-term returns in EM. And that's what this page is trying to highlight. So using data going back to the '90s, we just looked at the performance of a basket of cheap stocks versus the index on a 5-year rolling return basis. So each data point on this page is really a representation of rolling returns of cheap stocks versus the index. We chose low price to book as our proxy for cheap stocks because it has the most reliable data going back to the early '90s. And really the way to read this chart is that if there are a lot of dots above the line, it means that naively buying portfolios of cheap stocks outperforms the index. If there are a lot of dots below the line, it means the opposite — the index is outperforming a portfolio of cheap stocks. So, we're quite happy and pleasantly surprised to see that simply buying a portfolio of cheap stocks is actually quite effective. It works in up markets, it works in down markets, and it really can produce

superior returns to the index. And that comes back to what we feel about how people invest in EM. There tends to be a growth bias. Most of the managers on Morningstar, for example, are classified as growth or core. Very few are classified as value. And for us as a value manager, we act as a really good complement to core or growth managers when we're paired. And we also offer quite different exposures to these other kinds of managers.

Now, when it comes to pursuing our value philosophy, people tend to buy things in EM based on themes. I'd love to play nearshoring in Mexico. I'd love to play the middle class consumer in India. These are long-lasting structural themes. You'll read about them in the Wall Street Journal. You read about them in the Financial Times. We're not averse to buying into such themes. The issue is sometimes these things get overpriced. So consumer stocks today in India will trade at more than 30 times PE, which is great because there is a long-term opportunity of people moving into the cities and buying consumer products. But God forbid something bad were to happen — political issues, currency issues, macro dysfunction, just a simple economic downturn — you have a lot of room to fall when you're trading at 30 times PE. But if you look at it from the other lens, when people are piling out of a sector because they're scared because something has gone wrong either at the business or at the industry level or at the country level, that's when we can look at areas where people are piling out, look for good businesses that could navigate through the drama that's happening. And if we can pay low multiples of midcycle for that, that's really a good setup because often we feel like the entry price you pay really determines your long-term returns. We want to be a long-term owner of these businesses. We're thinking 5 years out and we really feel like hunting these businesses when problems have shown up, financializing what these problems look like — how bad could they be? And if bad doesn't look so terrible, that is usually a good setup for a value manager. In a really really really bad scenario, the company isn't burning cash and looking to impair its equity. It's just sort of sort of muddling through a downturn. If you can pay five times midcycle earnings, which sometimes we get opportunities to do that, that can be a really good setup for future returns, which is why we believe that on this page, naively buying cheap stocks is quite effective. And we're trying to do something even better than that by pursuing this value opportunity by looking at the universe in totality, bucketing it into quintiles based on normalized earnings and then really going after some of those opportunities in there and picking off idiosyncratic businesses that look cheap because they've faced problems.

Just thinking about what's happened in the last quarter: we've bought a Korean auto, a Korean telecom, an Indian financing company, and then a Latin American IT services company. Our opportunity set is typically dispersed by country and by sector. And we are really taking rifle shots to identify good businesses across our universe of 1500 companies. So, in a nutshell, that really is our value philosophy and how we do what we do, not just in EM, but across all of our strategies. So, I'll turn it back to Colin just to see if we have any Q&A in the last 10 minutes that we have.

Colin: We do. Thank you so much, Akhil. It was really helpful. And we do have some questions. Please feel free to send some more along if you'd like. But let's get started with: what is the average size of the companies in the EM portfolio, Akhil?

Akhil: Okay. Great question. The data for that — Drew, if you can put the slides back up — is on page 17. So the median market cap in EM is around 10 billion. You can see that on page 17. If you do weighted average obviously it's higher because there are some pretty large cap companies in EM and the median market cap of our portfolio of about 55 securities is around 15 billion USD. So in our universe I mentioned the largest 1500 companies — the minimum liquidity or the liquidity or trading volume of the smallest company is around 8 million USD. And they have a 2 billion market cap at least.

Colin: That's great. Well, we're waiting for some other questions to come in, but one thing that has come up in a number of meetings recently, Akhil, that I think you could speak to is how has AI affected the portfolio and the opportunities we're finding today?

Akhil: Yeah, great question. As a value manager, typically what we're doing is two things. One is looking for companies that have been deemed as AI losers and thinking about whether they should be good candidates for our portfolios because they're trading at extremely discounted valuations and we think potentially they've been oversold because of huge fears in the market. We added such a business to our strategy in Q1, a company called Globant. If you guys use Disney Plus or the MLB app or the Formula 1 app or you've been to Disney, Globant is a company that's actually making those UI/UX interfaces across all the surfaces that you interact with — Disney Plus and MLB. When you go to the parks and you get the wristband, they're actually managing that. So, it's an IT services company that is hired by people because they do really good UI user interface work that companies like Disney or MLB don't have the capabilities to do themselves and typically outsource. So, this is a company that's now at the center of the whole AI loser category because people are worried that with vibe coding you can vibe code an app. We think after doing research that there is a little bit more to, you know, building and navigating these complex ecosystems for companies like Disney and we think that Globant is kind of caught in the crosshairs of both some cyclical declines because the industry is going through a downturn and then as well this risk about the structural problems around AI. Now the thing for us is we believe on a midcycle basis the stock is cheap but even if you look at the current earnings it's trading at five or six times PE and has a double digit free cash flow yield. This is a very discounted valuation for a company that traded at more than 25 times PE 2 years ago. So this is an example of a market darling in a sector that's now trading like an AI loser. And for us, we will be picking up opportunities like this here and there as we look to capitalize on narratives that may be overblown and leading to overly discounted stock prices. On the flip side, across our portfolio, a lot of them are talking about ways in which AI can improve productivity and cut costs. We own Tencent, the Chinese company. They talk about how their engineers are using coding tools to improve efficiency. And more and more of these code commits are done by AI. So we're looking at it from both ends — how can AI lead to cost improvement at some of our companies and also other companies out there that have been overly penalized in our view based on the risks around AI disruption.

Colin: What about the conflict in Iran and has that had any impact on the names that we hold?

Akhil: Yeah, great question. So coming into the conflict, we had a relatively small exposure to the Middle East. I think it was less than 2% of our portfolio. Right after the conflict happened, we didn't really have anything within our portfolio that we felt was permanently impaired

because of what was going on. We have a couple of companies that are feeling extra pain because of this conflict. A good example is we own a low-cost airline called Wizz Air. And so Wizz Air is obviously going to feel some difficulty as is every airline globally from elevated jet fuel prices because you may have sold a ticket in February for a summer travel where you would have thought the oil price was 60 and now the oil price is higher. We believe that Wizz Air has the balance sheet to navigate this, but that is an example of a company where it may be feeling a little bit more pain and we're doing a bit more work to figure out whether this might be a good opportunity to add to our position because thinking 5 years out when things normalize they look very attractive based on their midcycle earnings power.

The second thing we've been doing, and this you'll see over the course of time, is looking for good businesses that were historically expensive but have become cheap because of this conflict. Some of the knock-on effects of the conflict, as you can imagine, is travel. People from India are traveling less. So, travel stocks in India getting hit. Another example is most Asian countries import energy. So, companies that refine gasoline and sell them are starting to feel the pain from either not getting product or having elevated product costs. And so these are examples of companies that are good businesses that have been hit because of the conflict and we are looking to see if they may be good candidates to add to our portfolio. So when you see volatility in the market like either the conflict in Iran or liberation day or whatever else it might be, we as a value manager are typically looking to see if we can find good businesses that may be unfairly punished because of the volatility and then look to add them to our portfolio. A good example — sort of going back to liberation day last year — is we owned a company, Hon Hai, that manufactures iPhones. There was a lot of concern about the effect of tariffs on the iPhone. The stock sold off. We were able to add to our position because we felt like they had a really strong value proposition and if anything they would pass on the increased tariff cost to Apple who would then pass it on to consumers. So that's just an example of how we navigate challenging times in the markets and how we stick to our investment process.

Colin: Great. So we've touched a little bit on AI and our tech exposures. Can you speak specifically to any exposures that we have to dedicated software companies?

Akhil: Software — we don't. Unlike some of our developed markets, there are only a handful of software companies in EM. They've all gotten hit because of AI and it's something that we're evaluating to see whether there are any interesting opportunities, but nothing's been done as of yet just because our opportunity set in software is not super large in EM.

Colin: Got it. Can you speak to the effects of currency and exchange rates on performance and how we account for that and adjust for that in our portfolio?

Akhil: Yeah, good question. So we do not hedge currencies, to be honest. In some instances, you cannot hedge currencies. It's not practical or it's too expensive. We are obviously targeting USD or hard currency returns. But how we think about currency is looking at each individual business and trying to understand might it be affected in one way or the other. So just to give you an example — in Brazil, the Brazilian real has typically been depreciating over time although now it's appreciating — we own a company called Arcos Dorados. If you speak Spanish that means golden arches, so it is the company that operates McDonald's in Latin America. So the concern

always in the market is that if all Latin American currencies keep depreciating against the USD the business is going to be toast. Fortunately for us, for McDonald's in Latin America, most of the costs have actually been localized. The really the only exception is the Happy Meal toys. They come from China and they're in USD, but it's a very small portion of their costs. And so McDonald's has done a really good job of localizing its exposure and making sure that if there is inflation of 5% in Brazil, they can price at an appropriate amount that allows them to continue to gain market share. They've got some good hedging programs in place. And at the end of the day, we see for them an opportunity to really come back to their midcycle earnings power because the issue today with Arcos Dorados is consumption is weak and some raw material costs elevated, but we are paying a very low multiple of midcycle earnings and we are targeting USD returns. And I think that is the right way to approach an investment like this — financializing it at the business level rather than buying McDonald's and hedging all the basket of 15 currencies in the countries that they navigate in. You may miss the idea that the cost of the hedging may offset the gains that you get because in some places you can't practically hedge.

Colin: I know that we send our research team out into the field to do extensive research on companies that we invest in. I know that there was a recent trip to Asia for instance. Where are we finding the most exciting opportunities either geographically or perhaps from an industrial or sectoral basis right now?

Akhil: Good question. Yes, our team is traveling all the time because an important part of our investment process is meeting with the management team. So we are typically visiting the regions of EM over the course of time. So Latin America, Eastern Europe and then Asia. Asia is a big bucket but that would include China, Taiwan, South Korea. For now, the opportunity set is actually quite diverse by country and by sector. There isn't any particular focus that we have. So we're underweight Taiwan but we are finding Taiwanese investment opportunities. By contrast, we're overweight China and we're also finding Chinese investment opportunities. So when we go to these kinds of regions — we were in China recently — it would be a 5-day trip having meetings throughout the day, meeting with both existing portfolio companies, companies that we own like Alibaba and Tencent in China, and then also potential new investments of companies that have fallen into that cheapest quintile, and we're researching them and considering adding them to our portfolio.

Colin: Great. Well it looks like we don't have any additional questions unless any come in here in the next few seconds. I think we are approaching time here. So that being said, I would like to thank everybody for taking the time to join us today. Please feel free to reach out with any questions. We will send you some follow-up information and you'll have contact information there that you can use to get in touch. And we hope that you enjoyed your time and thank you for speaking with us today. Thank you Akhil for your input.

Akhil: Thanks. Thanks everyone. Take care.

Colin: All right. Take care everybody.