Montréal, July 19th, 2021

Dear investors,

Our emerging markets equity strategy ended the second quarter of 2021 with a return of 4.73% net of all fees, which slightly underperformed the EEM (iShares MSCI Emerging Markets ETF) by 0.19%. The year-to-date performance as of June 30th was 6.45%, lower than the EEM by 0.65%.

Our ethical equity strategy ended the second quarter up 6.99% net of all fees, which underperformed the ACWI (iShares MSCI All Country World Index ETF) by 0.36%. The year-to-date performance as of June 30th was 5.85%, under the ACWI by 6.41%.

Our alternative emerging markets strategy ended the second quarter up 2.53% net of all fees, which was 1.55% over its benchmark, the "risk-free" Canada 5-year bond yield plus a 3% premium. The year-to-date performance as of June 30th was 2.84%, over its benchmark by 0.92%.

High hopes

Although some equity markets are reaching new records, the euphoria stemming from the discovery of vaccines sadly proved to be short-lived, with countries going through second waves that are in many cases worse than the first. As expected, getting populations vaccinated has proven to be hard. Governments across the world loosen restrictions, only to have to tighten them again in the face of rising infection rates. Brazil, India, Indonesia, and several other countries hit the headlines for the unprecedented scale of deaths they were reaching. Newspapers carried images of grieving relatives dumping the remains of their nearest and dearest into sacred rivers, as they themselves were wrapped in personal protective equipment. Millions of victims have been made and are yet to come.

Undeterred, investors have been looking further out to premiums in more economically-sensitive sectors such as Materials, Energy, Financial Services and Consumer Discretionary, often crowding into still deficit-burdened stocks in the hopes of a turnaround in earnings. 2021 has so far seen this new market leadership, which started in November. Furthermore, the change of attention to lower Quality, Value-oriented stocks has unfortunately caused companies with a high ESG score to lag in this period, following five years of outperformance. This is the result of ESG's pronounced high Quality bias[1]. As our financial analysis integrates with our ESG analysis in both our emerging markets equity and our global ethical equity strategies, we have seen the performance rotation in some of our highest conviction names - especially those exhibiting Quality characteristics (i.e. those with high return on equity, low leverage, and a high free-cash-flow-to-asset ratio)

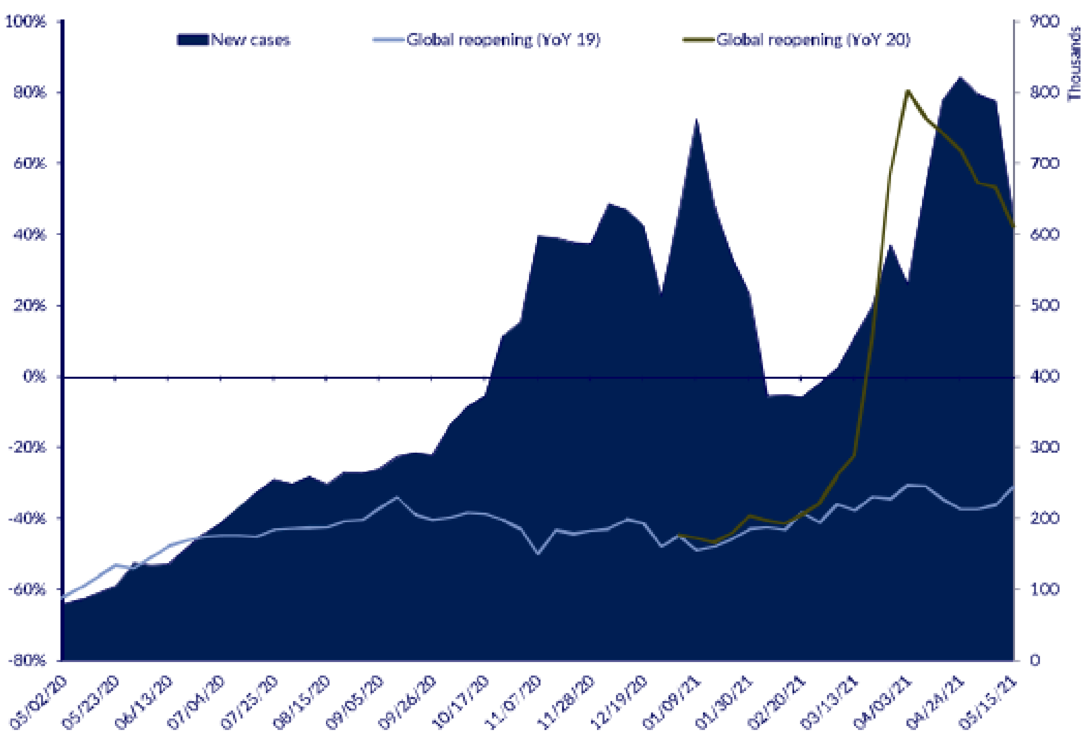
[1] Credit Suisse, Financial Times, May 2021

and high ESG scores (darlings of the new movement because of the sustainability of their products/business plan). Since mid-March however, Quality has started to make a comeback[2]. It delivered again in the latest earnings season through companies that are economically-competitive in the current context, as the optimistic outlook for turnarounds started to contrast with the reality of a longer than expected return to normal.

Delta variant running rampant

The following graph shows that, although the U.S. and other highly vaccinated countries are further along the curve, a measure of global reopening (pale blue line) is still far away from a return to the 2019 landscape.

Global Reopening Index vs Covid-19 New Cases



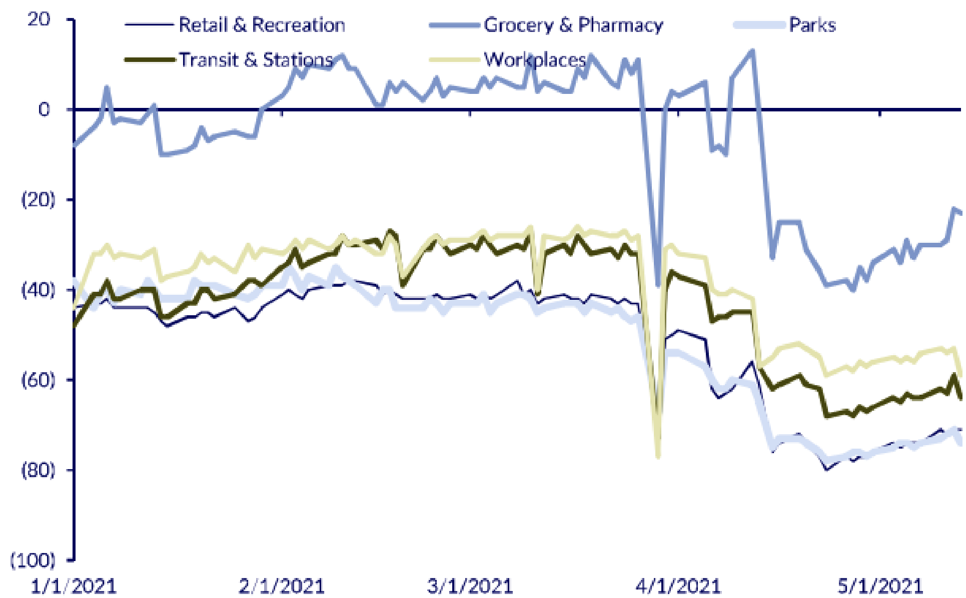
Source: John Hopkins University, Google, CLSA, May 2021

This challenging global picture is in no small part a consequence of the second wave of Covid-19 ravaging Southeast Asian countries, as well as several other regions in the Southern hemisphere, some of which had well handled the initial outbreak but are lagging richer countries in their vaccination effectiveness. One of the worst hit was India, cradle of the Delta variant, which is now running rampant around the world, more infectious and less sensitive to vaccines, especially to Sinovac. Although the spread of the virus now

[2] Pavilion Global Markets, April 2021

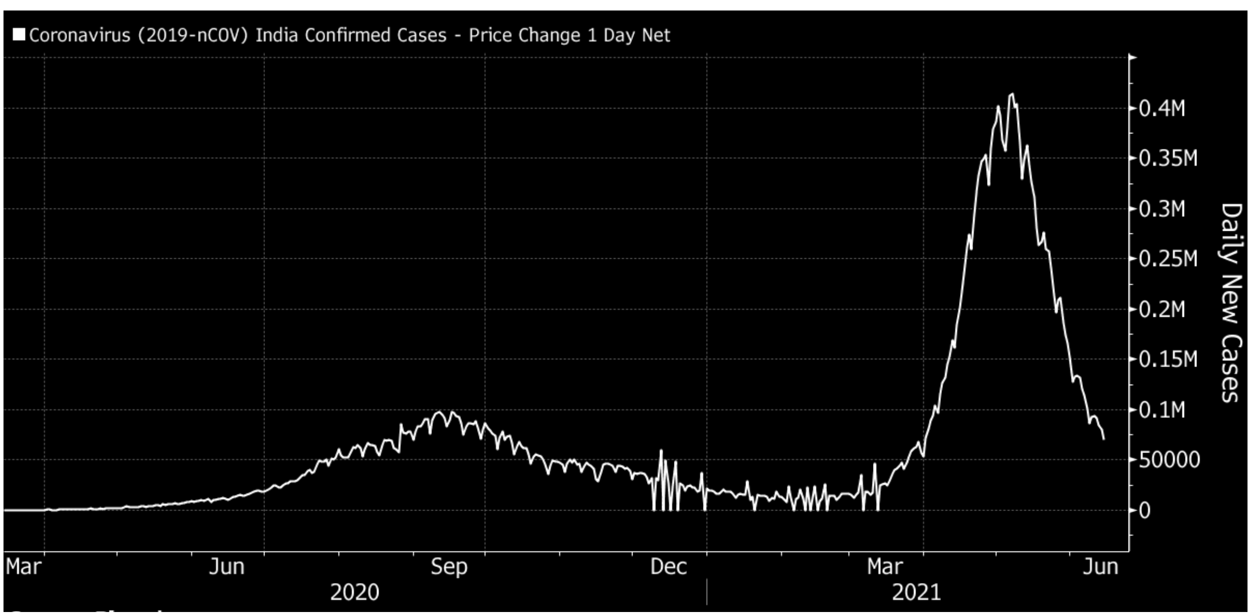
appears to be under control in India, the situation on the ground is far from improving, and we know from past episodes that victory can't be taken for granted.

India Community Mobility Data



Source: John Hopkins University, Google, CLSA, May 2021

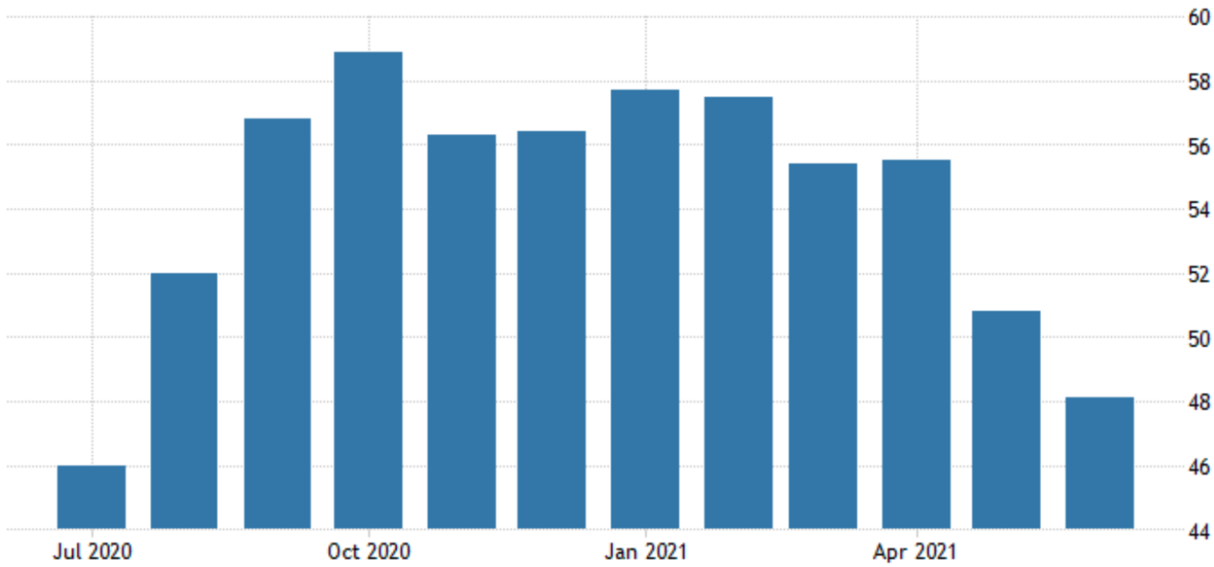
India Confirmed Covid-19 New Cases



Source: Bloomberg, June 2021

According to CNN, the actual number of Covid cases in India could be 30 times higher than what's been reported - worse than the 10 times rumored in the US... But as vaccinations try to catch up in India, investors already look to a brighter horizon. Therefore we think this country, which sports the highest expected economic growth rate in the world, is nonetheless priced to perfection. Investment activity had been one of the key drivers of the early recovery - as private consumption has yet to fully normalise. The fourth quarter of 2020 had seen a reacceleration of business activity, with rural economic output rising to 5.8% year-on-year in January. Although the central bank's ultra accommodative monetary policy, as well as the government's lax fiscal stance - which assumes a 30+% annual jump in budgetary spending in the first quarter - supports growth, earnings momentum is bound to be disrupted, as predicted in the recent low reached in the Indian manufacturing PMI.

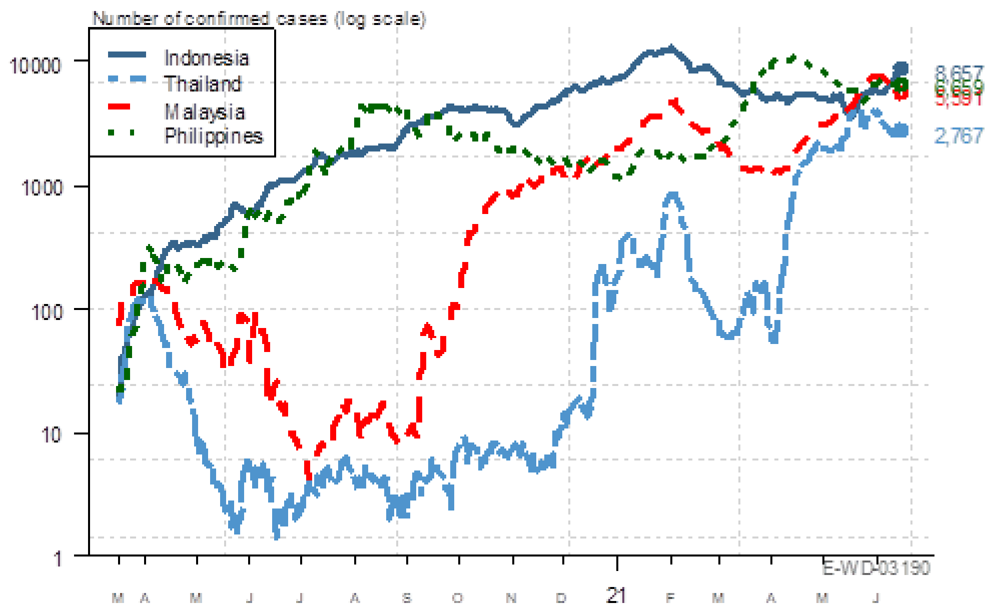
Indian Manufacturing PMI



Source: TradingEconomics, June 2021

The major disruptions in rural areas and healthcare due to a premature end of lockdowns in an ill-prepared system will hurt company earnings in India. Other countries facing a larger second wave, such as Thailand, Indonesia, Malaysia, Brazil and Peru, have seen large market corrections and have not presented the same dilemma to investors. Lockdown restrictions remain severe in many areas, limiting bank lending, for instance, and growth.

Southeast Asia Covid-19 New Cases (7-day moving average)



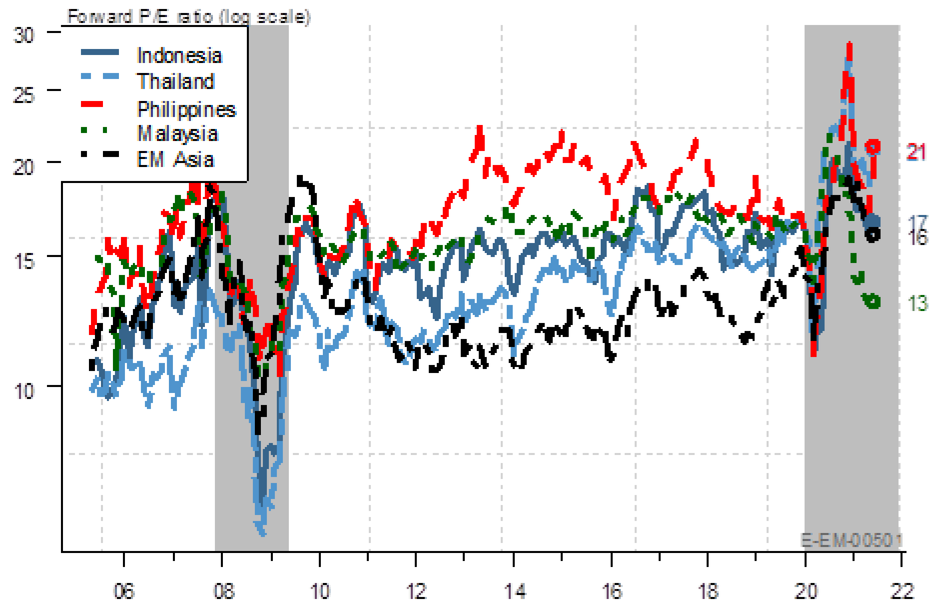
Source: Bloomberg, Johns Hopkins, Pavilion Global Markets, June 2021

INDA - iShares MSCI India ETF vs Emerging Markets ETFs
(ECH-Chile, EIDO-Indonesia, EPU-Peru, EWM-Malaysia, EWZ-Brazil, MCHI-China, THD-Thailand)

Source: Interactive Brokers, July 2021

But on a valuation basis, multiples still generally appear optimistic in Southeast Asia - which is not necessarily the case in Latin America.

Southeast Asia Equity Valuations (MSCI indices)



Source: Bloomberg, Pavilion Global Markets, June 2021

On political risk

While there are big government plans being made and much negotiation and political maneuverings, we seem to be constantly struck by “random acts of government”: Boris Johnson seems intent on picking even more fights with the EU now that the UK has left it, Brazil’s President Bolsonaro decided to replace the respected head of one of Brazil’s most symbolic companies - Petrobras - for no reason other than to distract from his own failings, and China’s President Xi has “cut the legs” from under one of China’s most iconic entrepreneurs, Jack Ma. None of those are good for sentiment. But as we mentioned previously, this too shall pass. It is easy to talk yourself into a funk, especially when we have had false dawns disappoint us, but there are a lot of positives as well. The general growth of the economy being the most important.

Inflation or reflation?

As we mentioned in our last newsletter, we believe we are in for a period of sustained inflation, but it’s not going to be a rerun of the 1970’s. We would be very surprised to see any of the major measures hitting double digits at any point in this cycle. Some of the effects are definitely transitory, resulting from the base effects of lockdown a year ago and from systemic bottlenecks.

As the chart below shows, United States core personal consumption expenditures inflation has been spiking…

U.S. Core PCE Inflation

Source: Bloomberg, June 2021

… and bond yields have been rising across the board.

10 year yields: United States Treasuries vs Government of Canada

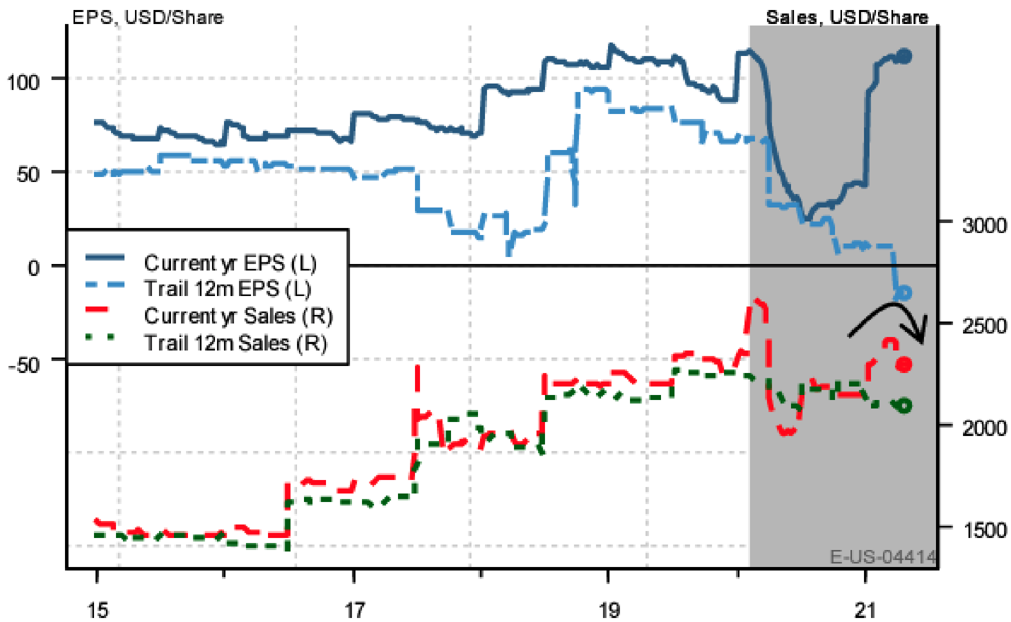
Source: Bloomberg, June 2021

Other effects may not be quite so transitory. No one wants to "waste" another season, let alone a year. Thinking of adding a pool and renovating the backyard? You want it now, not on Labour Day, and you are probably willing to pay up to make sure it happens. Here in Canada, the aisles of the home renovation stores are filled with the mutterings of shocked customers – Have you seen the price of lumber? Yes, that is inflationary, but the forced savings of the last year mean people now have the funds to pay those higher prices *if they chose*. Those higher prices will create a precedent and feed back into the loop. But as long as the expectations for price rises remain anchored in the low-to-mid single digit range, the economic recovery will probably remain on its tracks. It will also erode the real value of debt by stealth.

Factor rotation

Economic estimates over the next few months have flattened the perceived outlook for Value stocks (i.e. cheap, but generally economically-sensitive sectors and companies). As can be seen in the following graph, expected earnings per share and sales (current year lines) for the Russell 2000 Value index diverge significantly from reality so far.

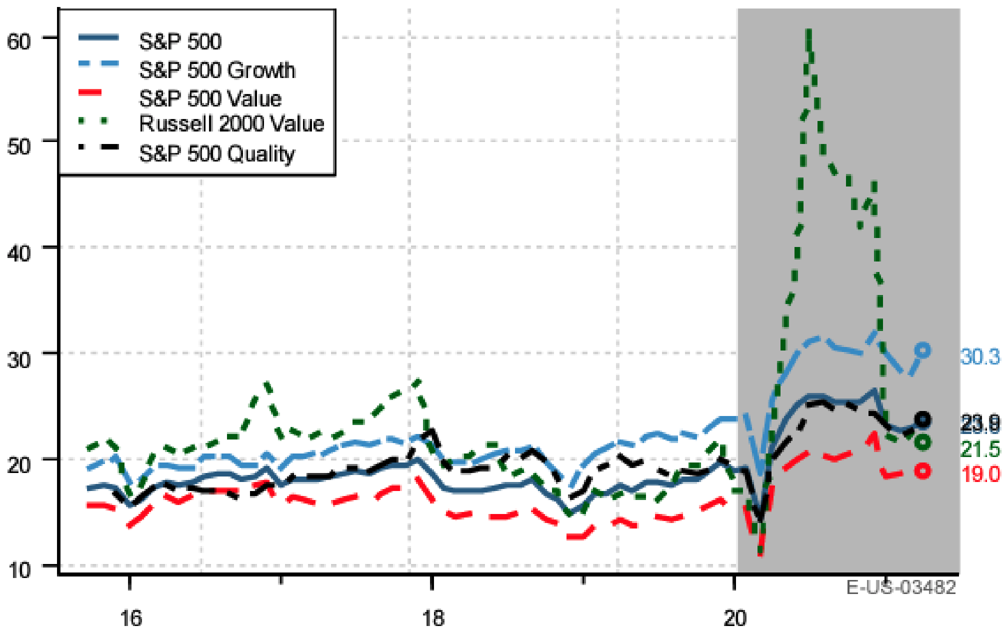
Russell 2000 Value: current year EPS, sales forecast; trailing 12 month EPS, sales



Source: Bloomberg, Pavilion Global Markets, June 2021

However, as shown in the following graph, the Quality premium (black line) isn't as high as it once was and interestingly, its most significant headwind may have been the lofty valuations of Growth stocks (i.e. exhibiting above-average growth, even if the share price appears expensive) - since Growth intersects with Quality.

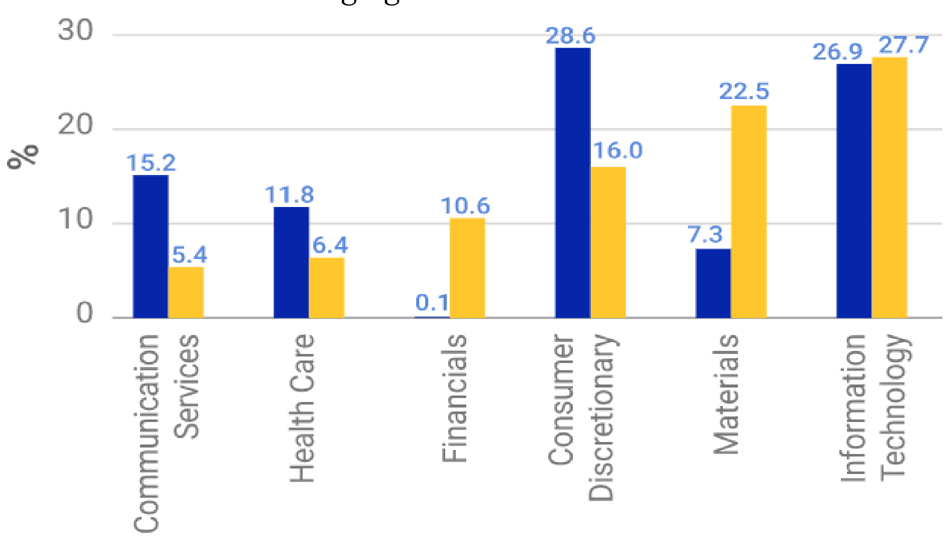
Current Year P/E Estimates



Source: Pavilion Global Markets, Bloomberg, June 2021

In terms of sector rotation, when we look at sectoral exposures of the Momentum factor (i.e. correlation of sectors to the general direction of the market), the rotation has been statistically enormous and fast. In the emerging markets, the Materials and Financials sectors saw their weights increase significantly at the November rebalance market event (due to the discovery of vaccines + the election of Joe Biden), whereas Consumer Discretionary and Communication Services stocks saw significant decreases.

Emerging Markets Momentum

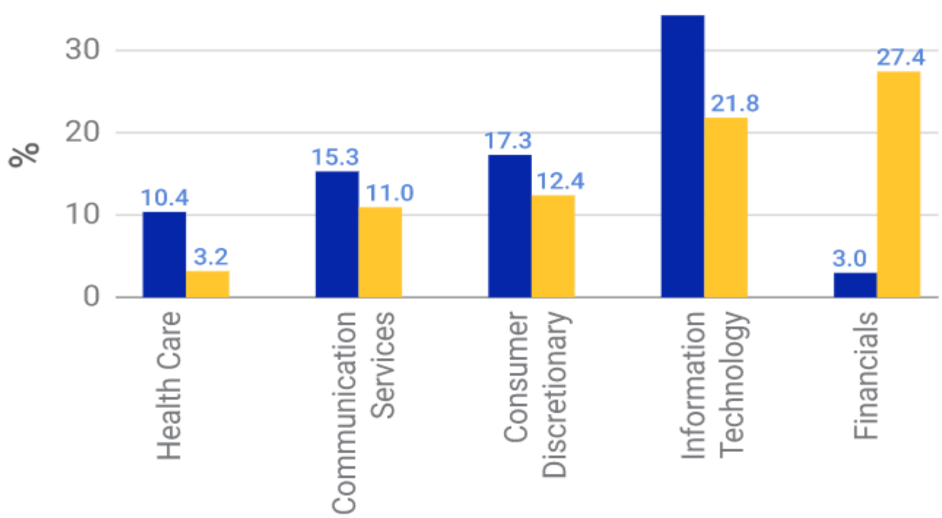


Source: MSCI, May 2021

In our emerging markets equity strategy, we have been positioned significantly underweight Materials and Consumer Discretionary sectors entering this period, and a little overweight Financials and Communication Services. While we maintain conviction in our individual positions and specific risk (i.e. from stock selection) represents over 60% of the portfolio's forecasted tracking error, this has adversely affected our year-to-date performance.

In the developed world, Financials' exposure to Momentum saw a significant increase while Tech's weight went down. In our ethical equity strategy - through our analysis to seek the largest positive impact with sustainable development goals - we have been very significantly underweight Financials and overweight Technology. This sectoral bias explains most of our underperformance in the strategy as of June - after the tremendous overperformance of last year.

World Momentum



Source: MSCI, May 2021

In terms of pure factor returns - which can be seen as the returns of different management styles: since November, all factors in emerging markets are positive and better balanced than in 2020, meaning that the market rewards more equally in absolute terms all statistically significant factor exposures, and Growth has taken last place. This reaffirms our flexible, relatively balanced approach to factor exposures.

Pure Factor Returns - Emerging Markets

Source: MSCI, May 2021

In developed markets, as mentioned, a more drastic reversal has taken place: overall, Low Beta (i.e. low volatility, more defensive names) has not done well as investors have aggressively embraced risk.

To conclude, the underperformance of the factors underpinning Quality since November seems to be reversing. While cyclical Value stocks will likely benefit from an improving economic tape over the coming months, much of the exuberance around reopenings appears priced-in for several regions, mainly in the developed world. Company guidance and industry forecasts are increasingly rolling over, which will make it difficult for analysts to maintain an optimistic stance. As the "reopening trade" peaks, conditions seem supportive for the return of Quality performance.

How we managed our emerging markets equity strategy in H1

- Politics, again

In China, Premier Li Keqiang announced that the Chinese government would set a GDP growth target for 2021 "above 6%", which is a little on the high side, but not too ambitious to create complications - in other words a "goldilocks" economic scenario. We think this allows the government to now turn more hawkish, focusing on longer-term priorities such as gradually deleveraging the economy, promoting sustainable solutions, regulating e-commerce, fintech and supplemental education to give the middle class some breathing room, as well as putting a greater focus on rural economic development. We saw the direct impact of those policies on our stock prices during the period.

Latin America is once again taking a step to the left. At the time of writing, Peru looks like it has elected a hard left leader as their new President by the narrowest of margins. That has caused a surge in capital flight and the Peruvian Sol to depreciate to record lows. In many ways, the situation was made worse because Castillo was expected to come last in the first round of voting - not first. But as he himself has come to terms with his success, he has sought to reassure the centre; he too lived through the hyperinflation and economic collapse of the 1980's. He has made it clear that he does not intend to expropriate foreign assets or ban imports. He *will* inherit an economy that is doing remarkably well, with a very manageable fiscal situation due to strong copper revenues.

Chile has also surprised outside observers by lurching leftwards when electing the members of the constitutional assembly, rather than stay at centre-right, and despite the latter group's solid economic results in past years - from a headline perspective at least. Given the multiple rounds needed to design and ratify any new constitution - the fundamental risk scaring investors, which could eventually imply highly redistributive policies that would cause fiscal instability - the people will have multiple opportunities to reassess their decision.

And finally, Brazil. Former President Lula has had his corruption conviction quashed, setting him up to be the candidate of the left in next year's presidential elections. Current President Bolsonaro has made a mess of the country's Covid response, as well as pretty much every other file on his desk. Yet the country has already recovered its immediate pre-Covid level of economic output, even if it is still well below its 2014 level, before the politico-economic debacle. Lula's first presidential term had been reasonably pragmatic. If he has learned from the mistakes of his second term, and if he surrounds himself with sensible advisors, we think he would be better than the three Presidents that came after him.

- New position: Mengniu

Mengniu Dairy is one of the new names in our portfolio. As the Chinese begin to give greater importance to improving their health and quality of life in the post-pandemic era, the demand for dairy products increases. Moreover, the Chinese government also encourages people, especially teenagers, to consume more milk, which vastly benefits the sector. Although the competition among dairy companies is fierce in the region, Mengniu is well-positioned as one of the leading players. With high brand awareness in China, Mengniu has strong performance in various product lines - not just baby products. Among all product lines, core liquid milk has been the major driver of total revenue, with 12% year-on-year growth. As Mengniu plans to provide higher-quality milk to meet demand for more proteins, we believe this company will have a sustainable performance in the next 5 years. Besides, other emerging segments, including infant milk powder, ice cream, and cheese also show rapid growth compared to competitors.

- New position: Tigermed

We have also initiated a position in Tigermed in both our emerging market and ethical equity strategies. Tigermed is a clinical research organization (CRO) that provides professional services to pharmaceutical companies in the process of drug R&D. To reduce R&D costs and improve efficiency, large pharmaceutical companies locally and overseas tend to outsource their drug R&D to CRO companies in China, where Tigermed is one of the strongest firms. It focuses on phase III and IV clinical research services, which require pharmaceutical companies to invest more than in the first two phases. What makes Tiger stand out in our opinion is the application of artificial intelligence/big data to empower its CRO services, using those advanced tools to process and integrate the data collected from each trial more efficiently. A company with high and steady revenue growth, significant profitability, and a strong balance sheet.

- Challenging position: New Oriental

Most children in China are enrolled in after-school tutoring. Chinese state education is very mediocre, so when parents want their children to be well prepared for the main university entrance exams, for example, they will provide them with a leg up, just like parents everywhere. In February, rumors started circulating about China's imminent crackdown on the private tutoring industry to reduce the stress for K-12 students and the financial burden on parents, at the onset of the government's new three-children policy to address its demographic wall. The government is worried by the falling birthrate and fears its population is near to shrinking. To encourage larger families, it has identified the costs of tutoring as one of many problems.

Since then, the performance of New Oriental has been unstable, to say the least. The ADR stock price collapsed from $19.68 in mid-February to $8.19 as of June 30th - a fall that was nonetheless smaller than that of its largest rival, TAL. Although Chinese authorities are planning to tighten regulations in the private tutoring sector, the official announcement and detailed measures have not come out yet. Rumors circulating about three major changes in the broad China education sector are: 1) private education agencies will not be allowed to give tutoring classes during the weekends or holidays 2) private education institutions will not be allowed to list on the stock market 3) private education institutions will be prevented from advertising on major social media. Although not yet confirmed to be true, they have shaken market confidence - which we think has overreacted.

In April, New Oriental and TAL, the two leading companies, along with two other smaller companies in the sector, were fined 50,000 RMB (appr. 7,750 USD) each due to false advertisements. Moreover, the Ministry of Education issued a document about the prevention of myopia among children and adolescents, pointing out the health hazard of using electronic devices for too long, recommending less exposure and a reduced burden of schoolwork.

Because New Oriental provides a lot of online tutoring courses, it will be affected by this regulation in its K-12 segment, and quite possibly by further regulations. We expect there to be a shakeout in the sector and have seen a number of IPOs cancelled. However, we consider the company to be conservatively managed in the context, and well equipped to adapt. It is fully collaborating with authorities, sitting on ample liquidity from a recent public offering, and possibly well positioned to profit from the major challenges in the sector. We therefore believe it can remain a leader in an industry that answers an education shortcoming which will be extremely hard to reconcile promptly by the government. At this point, we do not think that the government will or can eliminate the private education industry, and would probably prefer regulating larger organizations such as New Oriental.

Our largest contributors in H1 were:

- ❏ Anta Sports (contribution of +1.64% to relative portfolio performance, period return of 49.02%), the major global sportswear manufacturer and retailer, benefited from rising nationalism in China. In March, rumors about human rights abuses of Uygur Muslims leading to a ban on U.S. imports of cotton from Xinjiang spread indignation in China. Many Chinese consumers considered the ban a discrimination against Chinese products and tended to consume more domestic products. Also, after the Covid lockdown, people gradually paid more attention to their personal health and have taken up more outdoor activities, which boosted Anta's sales of sports shoes and outdoor equipment in the first and second quarters. We have been progressively taking profit on the position although we support the long-term thesis.
- ❏ Xinyi Glass (+1.29%, period return of 48.89%), the major producer of flat glass in China, also used in solar panels. The performance of Xinyi Glass was strong since the beginning of 2021 mainly due to higher-than-expected demand. The Chinese three-children policy that came out in June created additional needs for more buildings and apartments, which therefore increased the demand for the glass market. As a leading producer in the industry, Xinyi benefited from this announcement, in addition to demand from solar, and the stock strongly appreciated up to mid-June. Although the rising raw material costs have dragged the stock a little since then, we consider it a temporary factor. We have been progressively taking profit on the position since May while keeping it on.
- ❏ Sunny Optical (+1.24%, period return of 45.18%), a major player in the camera modules used in phones and vehicles, supplying many of the global car OEMs. The trend to smart-driving - whether just lane assistance or full-on autonomous driving - will require more of its products. In turn, those need to become more sophisticated, thus improving margins and helping to reinforce Sunny's “moat" - its ability to fend off competition. Although the company does not disclose details of individual contracts, it's in the first year of a contract with Apple which is described as going "very well". We recently took some profit on the position while keeping it as a core holding.

Our most significant laggards were:

- ❏ New Oriental (contribution of -1.02% to relative portfolio performance, period return of -55.92%), as described. We recently added a little to the position as part of a rebalancing to our target weight.
- ❏ Semen Indonesia (-0.59%, period return of -22.16%) has underperformed due to the slow roll out of vaccinations in Indonesia dragging the whole market down. Although long term valuations are cheap, and the government needs to continue with its strategic plan to build a new capital (Jakarta is slowly sinking), we need to see actual progress on that front. Meanwhile, until the tourist centres like Bali reopen and foreign tourists from Australia, Europe, and the US are able to visit *and* return home without quarantining, sentiment is going to remain subdued. We recently added to the position as part of a rebalancing to our target weight.

- ❏ Credicorp (-0.49%, period return of -26.16%) has underperformed due to political upheaval in the country. The leftist candidate Castillo won the election, which took the market by surprise. Although there are fears that he may try to implement a hard left agenda, he has made conciliatory remarks suggesting he will be much more centrist. The proof, as they say, is in the pudding. We await details of his top cabinet picks, and in particular his minister of finance. Meanwhile, economic growth expectations continue to increase on rising commodity prices. We recently spoke to Credicorp directly and they continue to see a good operating environment with healthy demand, supported by a strong balance sheet. We have added some shares to the position as part of a rebalancing to our target weight.

How we managed our ethical equity strategy in H1

As mentioned, global equity markets in 2021 have seen a pronounced shift of sector leadership into stocks that are deemed to offer higher risk premiums from a turnaround of economic activity. Therefore, cyclical sectors such as Energy, Materials and Financials have suddenly significantly benefited on a relative basis from this renewed enthusiasm and expectation of better, and sometimes just positive, earnings. Also, several Industrial stocks, particularly in the US, have been propped up by the hope of a vast infrastructure plan put forward by the Biden administration and yet to be approved by both houses of government. Some of the outperforming stocks had very bad ESG track records. These market dynamics have been a challenge for an ethical strategy aimed at selecting best-in-class industry leaders and innovators - taking on issues such as climate change, water challenges, poverty eradication and protection of private information. Since the start of the year, our ESG strategy has underperformed its benchmark - although it remains significantly ahead on a 12-month view and since inception. Obviously, with the benefit of hindsight, we can see that we should have taken profits in some top performers sooner.

ESG is not always aligned with market performance. One of the positive effects of inflation may be an upward adjustment in real wages amongst the lowest earners. For instance, many restaurant workers appear to have “moved on”, and restaurants are having to hike wages to attract staff. In the US for example, some McDonald’s franchises have resorted to offering bonuses to people just for turning up for an interview. The workers who kept retail operations functioning during lockdown were deemed “essential”, even if they were just picking items for your on-line order. Shouldn’t their pay reflect that they are essential? This situation is similar to varying extents around the world. For us, that is the “S” in ESG. For too long that S has been silent. Some metrics are easy to measure, “Social” is harder. This is an example of the fundamental questions we ask ourselves when establishing the real impact of a corporation on society and the environment. Mount Murray Investment’s global ethical equity strategy portfolio strives to invest in themes aligned with the United Nations Sustainable Development Goals. But when analyzing a company, we also ask ourselves: what is the real story? How better or worse would the world be without that particular group of people, organized in this manner, pursuing those business objectives?

When we look at those names we don’t own that have done well - the names we missed out on - they are companies that we would not expect to own normally in this strategy. Bank of

America, J.P. Morgan, or Wells Fargo are all excellent companies financially, and they can break down board diversity or their carbon footprint better than anybody, but do they do good? Real good? We favour banks that drive financial inclusion in poor communities and even poor countries, such as Peru's Credicorp that actively seeks to bring banking to an otherwise unbanked population, to provide microfinance loans to those who have long been ignored. In the case of Credicorp, it has been caught up in the fallout from Peru's presidential elections, which has compounded the underperformance. Yet when we listen to what Castillo wants to do for the country's poor, we see the huge opportunity that is still ahead for the bank.

Another sector that has reduced our performance has been the education sector, specifically in Brazil and China. As Covid ravaged Brazil, it became clear that investors were not going to give the benefit of the doubt to anything that required face-to-face contact - even medical schools. Having soared on the reopening euphoria, YDUQS (formerly known as Estácio Participações) and the other names in the sector sank, as investors decided to wait for the next reopening. We considered reducing our position with a view to buying back later, but this is one of the smaller names in the portfolio with less liquidity than other companies: there was a significant risk we might be forced to buy back higher, and even that we ourselves might move the price, so we decided to "hang tough". As the quarter comes to a close, it is clear that this was the right decision. Chinese education is a very different story that has taken a bigger toll on the portfolio, but again we believe in the long-term fundamentals, as mentioned. We believe that the names we are invested in will be amongst the consolidators and winners, and that the sector remains a long-term growth story.

Both the ESG and emerging markets portfolios suffered from the selloff in "Big Tech", no matter how you define it. There is unquestionably a sea change in governments' attitudes toward these companies, whether it is the G7's plans to introduce global minimum corporate taxes, China clearly fearing their growing influence, or the US Senate introducing five different bills to "regulate" them more closely. We have avoided the worst performing names like Uber and JD Group because they do not fit with our ESG criteria. Many firms, so-called unicorns, also do not fit with our minimum profitability criteria, but the generally pervasive nature of these companies in a new industry makes them nearly impossible to avoid for a majority of investors. Among the "new economy" giants that fit our dual ESG and financial criteria and which we still like, Alphabet is actually classified as Communication Services, alongside Disney, whilst Amazon and Tesla are Consumer Discretionary. Like Apple and Microsoft, these companies continue to deliver strong earnings growth and have several potentially lucrative projects in the works. They also make huge impacts with their business activities.

Our largest contributors in H1 were:

- ❑ Acuity Brands (contribution of +1.29% to relative portfolio performance, period return of 54.74%), the efficient lighting/lighting controls and now intelligent commercial spaces specialist (competitive in carbon emissions reduction solutions) just reported impressive results in its Q3, and mentioned the shortage in its global supply of electrical components, steel and aluminum. We have been taking some profit on the position at the end of June to rebalance to target.

- ❏ Australian Ethical Investment (+0.93%, period return of 63.94%) is a small cap portfolio manager with 50-60 employees that was actually one of our worst performers in Q4 2020, as it tends to be volatile. An ESG expert investor since 1986, its share price has soared some 800% in the past 5 years, thanks in large part to growing earnings. True to its mission, for example, the CEO is remunerated more modestly than most CEOs at similarly capitalized companies. With a current trailing P/E of 80+, we have been taking some profit on the position in April and May to rebalance to target, and the price has been down appr. 20% since.
- ❏ Novo Nordisk (+0.58%, period return of 21.56%), the giant pharmaceutical controlled by the world's largest endowment - which typically distributes more than $300 M each year to research within the fields of life sciences and bioscience - just launched in a partnership with Walmart the first-ever private label insulin analog, at a far lower price which is more accessible to diabetes patients (Walmart said the vials would retail for $72.88 and the FlexPens for $85.88, saving consumers between 58% and 75% off the cash price for other insulin products). We took some profit on the position in May to rebalance.

Laggards were:
- ❏ New Oriental (contribution of -1.12% to relative portfolio performance, period return of -55.92%), as mentioned. We recently added to the position.
- ❏ First Solar (-0.51%, period return of -18.72%), the American manufacturer of solar panels, which used to be the second-largest maker of photovoltaic modules worldwide, has shifted its focus away from project ownership and sold most of its project development business. Given the shrinking scope of First Solar's business activities, and the undeniable rise of China's solar manufacturing capabilities, we exited the stock in June to focus on another name in the industrial space.
- ❏ Credicorp (-0.49%, period return of -26.16%), as mentioned. We recently added to the position.

How we managed our alternative emerging markets strategy in H1

Our alternative emerging markets strategy uses a concentrated selection of our favorite researched positions from our long-only strategy and aims for a significant absolute return year-in, year-out. We also use risk-based weightings to allocate between positions and we hedge regional exposures.

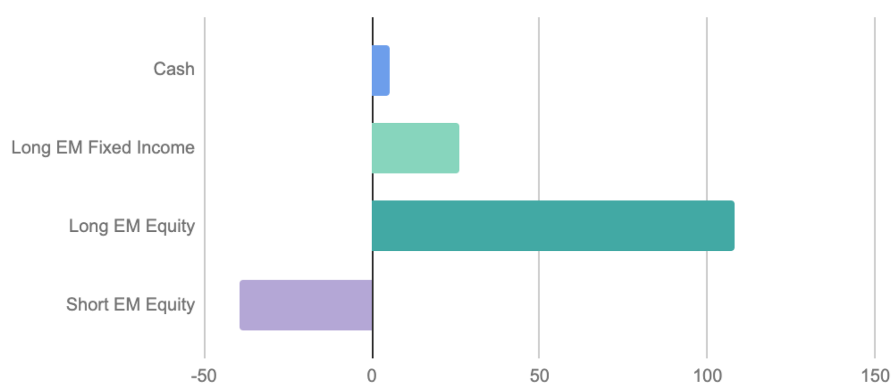
Therefore, our top three positions in H1 were:
- ❏ Anta Sports (contribution of +1.73% to absolute portfolio performance, period return of 28.49%), as mentioned. We took profit in the position on May 27th and sold it to generate the required minimum sale given the strategy's AUM. We are monitoring the stock for a favorable re-entry as we support the long-term thesis.
- ❏ Sunny Optical (+1.45%, period return of 45.18%), as mentioned. We took some profit in May to rebalance.
- ❏ China Merchants Bank (+1.32%, period return of 35.00%), one of China's leading private sector banks. It has a clearer focus on profitability, unlike its larger state-owned peers, resulting in a normalised ROE in the mid to high teens. We also

believe that it's more proactive with its provisioning, meaning its balance sheet and ability to lend is much cleaner. As the economy continues to grow in the post-pandemic environment, we expect this bank to continue posting strong results based on increased fee income and wealth management products, as well as on its core lending franchise. We recently took some profit on the stock to rebalance to target.

Laggards in our long positions were:
- New Oriental (contribution of -1.48% to absolute portfolio performance, period return of -55.92%), as mentioned. We recently added to the position.
- Semen Indonesia (-0.76%, period return of -22.16%), as mentioned. We also recently added to the position.
- Petrobras (contribution of -0.74%, period return of -19.17%), as described, has underperformed due to the incompetence of the Bolsonaro government. There is no other way to put it. President Bolsonaro's mishandling of the Covid situation has made headlines around the world, and it appears that to distract from his bad press, he randomly switched the chairman of the company for a former general who knows very little about the industry. The outgoing CEO was very well regarded by the markets, and by us - we have known him for 20 years or so - and he was doing a good job of cleaning up some of the mess caused by previous governments. The incoming CEO has continued the same policies of his predecessor, but the damage is done. We exited the position in May due to the acute political risk in the company.

In May, our long stock-specific positions were rebalanced in line with our macro views as developed in our long-only strategy. But, particular to this strategy's risk/return objective, with a focus on risk-weighting and alpha expectation. For example, some bank positions in emerging countries more affected by the latest Covid waves were increased to 4% - 5% portfolio weights, considering the higher expected alpha and lower risk of correction at this level, combined with our country risk hedges. As for those regional exposure hedges, we have brought Russia and Brazil down from a 40% to 50% systematic hedge to our lowest bound of 30%, positioning for rebounds in those depressed markets. Both have started to pay off since. Meanwhile, we have also raised our Indian hedge to its highest bound of 70%, expecting market weakness that hasn't yet materialized in this particularly hard-hit country.

Mount Murray Investment Emerging Markets Alternative Strategy - June 30th, 2021



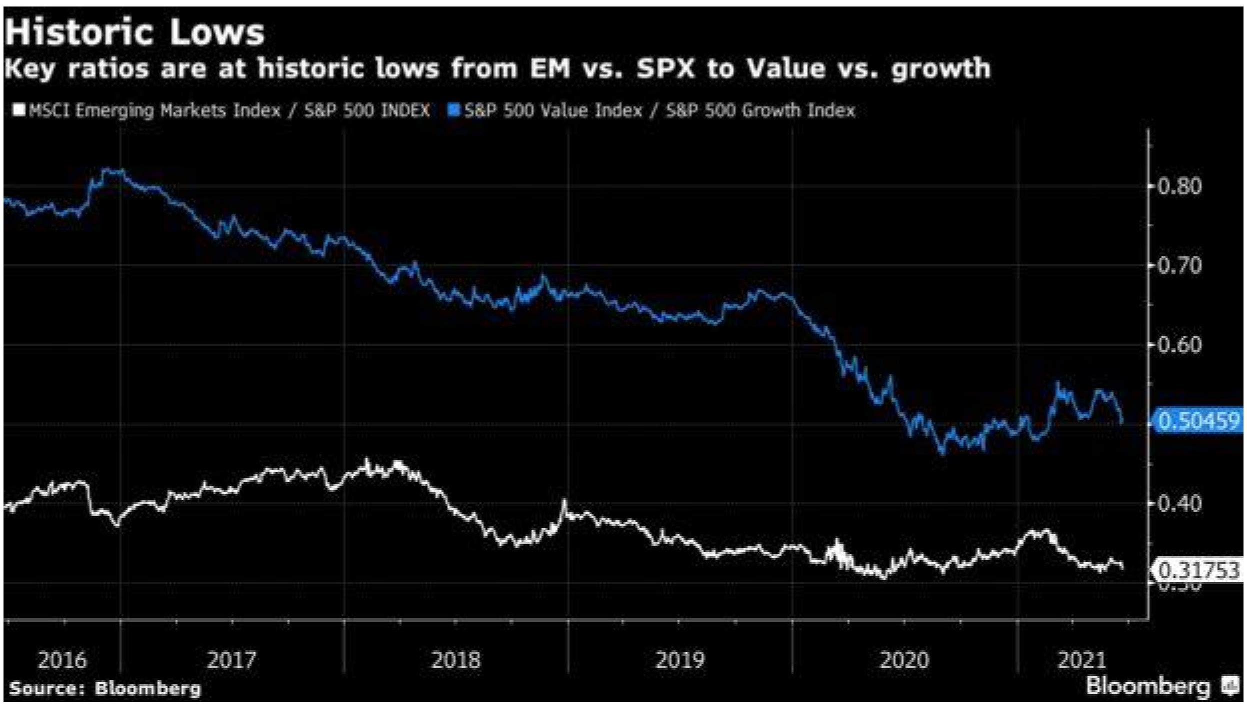
We have watched closely the volatility landscape and the progressive decrease in the price of protective puts, as well as the increasing skew in favor of funding this protection with out-of-the-money calls. This is an added layer of protection that we are implementing back into the portfolio for good, at a *finally* attractive price, diversifying the time exposures as well as the strike price levels. We are now also working on precise portfolio optimization to 1) reduce our absolute long risk exposures, given our alpha expectations, and 2) make our systematic regional hedges more effective with our long positions.

The wall of debt

We are strong believers in free markets, as well as in responsible government. When the latter needs to intervene, it has to do so transparently and swiftly, in order to let the natural forces of competition - and innovation - take over. The major interventions called for by the pandemic highlighted the need to ensure solid, sustainable rules for capitalism, so that trust in the system can remain. The Global Financial Crisis and ensuing Great Recession created economic havoc that has not been fully recovered in most of the world except in the US, and have led us to this. Governments and central banks have been intervening strongly to avoid debt defaults, which has resulted in a very low level of bankruptcies around the world, as well as very low compensation for risky debt.

Source: Bloomberg, June 2021

Several countries have been tinkering with the economy on the back of mounting debt - both sovereign and private - for too long , and it’s been obvious to us that some level of inflation in the long run is required to enable the retirement of this helping hand. Inflation and financial repression are mandated by these record debt levels in order to gradually reduce their significance. Therefore, we do not see a Volcker-era Fed funds rate shooting up and upsetting markets. As we argued before, central banks dealing with exuberant domestic debt are walking a fine line, but the general direction of equity markets should remain in an upward slope for the next few years, if not decade. Therefore, we maintain our core thesis that low-to-negative real interest rates will persist in the US as well as in other significant developed markets for a long period of time, which in turn will support investment in riskier assets, such as emerging markets equities.



Source: Bloomberg, June 2021

Best regards,

Mount Murray Investment