Baron Emerging Markets Strategy

December 31, 2021

Dear Investor:

Performance

Baron Emerging Markets Strategy declined 4.07% during the fourth quarter of 2021, while its principal benchmark index, the MSCI EM Index, declined 1.31%. The MSCI EM IMI Growth Index retreated 1.48% for the quarter. For the full-year 2021, the Strategy declined 5.95%, while the MSCI EM Index fell 2.54% and the MSCI EM IMI Growth Index declined 5.50%. The Strategy underperformed its principal benchmark index, as well as the all-cap growth proxy, for the final quarter and full year, as a number of factors, including the emergence of the Delta and Omicron COVID variants, regulatory and policy tightening in China, political/geopolitical concerns in Brazil and Russia, and anticipated Fed monetary tightening weighed on emerging market ("EM") equities during the year. While disappointed with our relative performance during the quarter and full year, this follows strong outperformance in the prior year, and we remain optimistic on a forward-looking basis. The past year was much more volatile than the headline index performance indicated, as several broad swings in market leadership occurred, largely driven by shifting perceptions over the emergence of new COVID variants, supply-chain disruption and related inflation, and the likely forward path of central bank policy. While debates remain over the outlook for various asset classes, sectors, and countries, we believe that on the other side of the current Omicron COVID wave likely resides a period of more stable and consistent global macroeconomic and financial conditions, supporting higher nominal growth, inflation, interest rates, and yield curves than in the recent pre-COVID years. Such a scenario would, in our view, favor EM and international equity performance over a multi-year term. We are confident that we have invested in many well-positioned and well-managed companies on a bottom-up basis that are poised to benefit from long-term and attractive investment themes.

Table I.
Performance
Annualized for periods ended December 31, 2021 (Figures in USD)

	Baron Emerging Markets Strategy (net)[1]	Baron Emerging Markets Strategy (gross)	MSCI EM Index[1]	MSCI EM IMI Growth Index[1]
Three Months[2]	(4.07)%	(3.84)%	(1.31)%	(1.48)%
One Year	(5.95)%	(5.05)%	(2.54)%	(5.50)%
Three Years	13.21%	14.27%	10.94%	15.16%
Five Years	10.77%	11.82%	9.87%	12.51%
Ten Years	8.85%	9.73%	5.49%	7.49%
Since Inception[3] (January 31, 2011)	6.44%	7.24%	3.34%	4.99%

For the year 2021, we underperformed our primary benchmark, the MSCI EM Index, while also modestly trailing our all-cap EM growth proxy. During the year, EM equities were marked with increased volatility, primarily driven by China's growing regulatory scrutiny over its technology, education, health care, and property industries. China's ongoing credit tightening campaign along with solvency concerns relating to China Evergrande Group, a large Chinese conglomerate and property developer, also weighed on markets. In addition, the emergence of new COVID variants also had a disproportionate economic impact on EM countries that were lagging in vaccination rates compared to developed nations. Lastly, escalating concerns regarding inflation and the onset of Fed/global central bank

For strategy reporting purposes, the Firm is defined as all accounts managed by Baron Capital Management, Inc. ("BCM") and BAMCO, Inc. ("BAMCO"), registered investment advisers wholly owned by Baron Capital Group, Inc. As of December 31, 2021, total Firm assets under management are approximately $57 billion. Gross performance figures do not reflect the deduction of investment advisory fees and any other expenses incurred in the management of the investment advisory account. Actual client returns will be reduced by the advisory fees and any other expenses incurred in the management of the investment advisory account. A full description of investment advisory fees is supplied in the Firm's Form ADV Part 2A. Valuations and returns are computed and stated in U.S. dollars. Performance figures reflect the reinvestment of dividends and other earnings. The Strategy is currently composed of one mutual fund, a Collective Investment Trust, a multipartner SICAV fund, and a subadvised account managed by BAMCO; and a separately managed account and a private offshore fund managed by BCM. The Strategy invests mainly in non-U.S. companies of all sizes. The majority of investments are in companies domiciled in developing countries. The Strategy may invest up to 20% in companies in developed and frontier countries. BAMCO and BCM claim compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of the Firm's strategies please contact us at 1-800-99BARON. For a GIPS-compliant report, click here.

Performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted. Past performance is no guarantee of future results. Returns could be reduced, or losses incurred, due to currency fluctuations.

1 The **MSCI Emerging Markets Index** is an unmanaged float-adjusted market capitalization index designed to measure equity market performance of large and mid cap securities in the emerging markets. The **MSCI EM (Emerging Markets) IMI Growth Index Net** USD is a free float-adjusted market capitalization index designed to measure equity market performance of large, mid and small-cap securities exhibiting overall growth characteristics across 27 Emerging Markets countries. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Strategy include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. The index performance is not Strategy performance; one cannot invest directly into an index.

2 Not annualized.

3 The Strategy has a different inception date than its underlying portfolio, which is December 31, 2010.

tightening also weighed on EM equities. From a sector or theme perspective, our relative underperformance was mainly due to adverse stock selection and allocation effect in the Information Technology (IT) sector. Within IT, our underweight positioning in **Taiwan Semiconductor Manufacturing Company Ltd.** along with a material correction in our fintech theme (**StoneCo Ltd.** and **PagSeguro Digital Ltd.**) were key detractors. China's regulatory and credit tightening campaign also resulted in a retracement of strong 2020 performance in our digitization theme (**GDS Holdings Limited**) and China value-added theme (**Kingsoft Corporation Ltd.**, **Kingdee International Software Group Co. Ltd.**, and **Glodon Company Limited**). Weak stock selection in the Financials sector, notably our other fintech holdings (**Banco Inter S.A.**, **Lufax Holding Ltd.**, and **XP Inc.**) also adversely impacted relative performance. Partially offsetting the above were solid gains from several investments related to our India consumer finance/wealth management theme (**Bajaj Finance Limited**, **Max Financial Services Limited**, and **SBI Life Insurance Company Limited**), and our sustainability/EV supply-chain theme (**Glencore PLC**, **Techtronic Industries Co. Ltd.**, and **Hyundai Heavy Industries Co., Ltd.**) also contributed positively. In addition, good stock selection and positive allocation effect in the Consumer Discretionary (**Titan Company Limited** and **Jubilant FoodWorks Limited**) and Communication Services (**Tata Communications Limited** and **Bharti Airtel Limited**) sectors also contributed favorably to relative performance.

From a country perspective for the full-year 2021, disappointing stock selection along with adverse allocation effect in Taiwan and Brazil drove the vast majority of relative underperformance. In our view, the weakness in Brazil was driven by the re-emergence of COVID-related concerns, rising inflation, and increased market volatility as the country prepares for presidential elections in 2022. We have reduced aggregate exposure to Brazil and will continue to monitor the COVID-related challenges and the political environment, particularly as it relates to the sustainability of the country's ongoing economic reform and privatization agenda. Our lack of exposure to Saudi Arabia also detracted from relative performance during the year. Partly offsetting the above was positive allocation and stock selection effect in China. Our large overweight positioning in India also contributed to relative performance, though a fourth quarter consolidation diluted the full-year impact.

For the fourth quarter, we underperformed our principal MSCI EM Index as well as the EM all-cap growth proxy in a period of modest negative returns. While disappointed, we are not surprised as our overweight positioning in India and Russia saw a retracement of prior period gains. While the correction in India was not unexpected, the sharp pullback in Russia was due to unexpected geopolitical concerns rather than fundamentals. We are monitoring the escalating tensions around Ukraine that led to an increase in risk premium on Russian assets during the quarter, but for now we believe Russian equities are more than fully discounting the likelihood of punitive sanctions. Our underweight exposure in Taiwan also detracted from relative performance. From a sector or theme perspective, adverse stock selection effect in Financials (**Bajaj Finance Limited**, **XP Inc.**, and **Sberbank of Russia PJSC**) and IT (**StoneCo Ltd.** and **GDS Holdings Limited**) sectors were a key drag on relative results. Closing the year, we take some comfort in defending a majority of our 2020 outperformance and are confident in our portfolio positioning entering 2022.

Table II.
Top contributors to performance for the quarter ended December 31, 2021

	Percent Impact
Han's Laser Technology Industry Group Co., Ltd	0.48%
Taiwan Semiconductor Manufacturing Company Ltd.	0.32
Will Semiconductor Co., Ltd.	0.21
Samsung Electronics Co., Ltd.	0.19
Zhejiang Dingli Machinery Co., Ltd.	0.18

Han's Laser Technology Industry Group Co., Ltd. is China's largest laser equipment manufacturer. Shares gained on an earnings beat and market share gains in battery equipment. Han's is benefiting from secular trends in industrial automation and a product mix upgrade to high-end battery equipment. We believe Han's will emerge as a winner in the automation theme and be a key beneficiary of China's technology localization initiative. The company has attractive valuation among automation peers, and, in our view, shares do not reflect rapid growth potential in battery equipment sales.

Semiconductor giant **Taiwan Semiconductor Manufacturing Company Ltd**. contributed during the quarter as demand for leading-edge chips remained strong and global chip shortages led to industry price increases. The development of its next-generation nodes continues to progress smoothly, which will allow Taiwan Semi to maintain its technological leadership, in our view. We believe the company will deliver above its 10% to 15% growth target in the next three to five years.

Leading complementary metal-oxide-semiconductor image sensor ("CIS") supplier **Will Semiconductor Co., Ltd.** contributed during the quarter due to higher revenue growth expectations, driven by strong demand in automotive and augmented reality/virtual reality applications. We expect Will Semi will continue gaining market share in both smartphone and automotive CIS while increasing its margins by upgrading its product mix.

Shares of South Korean conglomerate **Samsung Electronics Co., Ltd.** increased during the quarter due to an improving outlook for memory semiconductors heading into 2022, driven by strong demand from hyperscale data centers and PC manufacturers. Samsung's foundry business continued to make solid progress while smartphone shipments exceeded estimates due to easing chip shortages and growth in foldable smartphones. We are confident Samsung will remain a global leader in semiconductors and 5G smartphones.

Zhejiang Dingli Machinery Co., Ltd. is China's largest manufacturer of Aerial Work Platforms ("AWPs"). Shares increased on strong top-line growth and tariffs that were lower-than-Street consensus. Dingli is the largest player in the AWP industry with premium products and roughly 40% market share. The AWP market is significantly underpenetrated in China, and, in our view, there is a long-term structural growth opportunity for rising adoption due to the increased affordability of AWP rentals and a growing focus on worker safety and productivity.

Table III.
Top detractors from performance for the quarter ended December 31, 2021

	Percent Impact
Alibaba Group Holding Limited	–0.46%
Zai Lab Limited	–0.43
Ozon Holdings PLC	–0.36
Bajaj Finance Limited	–0.28
Hangzhou Tigermed Consulting Co., Ltd.	–0.26

Alibaba Group Holding Limited is the largest retailer and e-commerce company in China. Alibaba operates shopping platforms Taobao and Tmall and owns 33% of Ant Group, which operates Alipay, China's largest third-party online payment provider. Shares of Alibaba were down given crackdowns by Chinese regulators on various aspects of digital technology and consumerism in an attempt to refocus investment in China on the community. Despite the near-term regulatory uncertainty, we retain conviction that Alibaba will benefit from rapid growth in cloud services, logistics, and retail.

Zai Lab Limited is a Chinese biotechnology company dedicated to bringing western medicines to greater China and to transitioning into a fully integrated company with internal drug development capabilities. Shares declined in sympathy with the broader biotechnology sub-industry, and also due to concerns regarding China's regulatory tightening and the potential for the government to curb profitability in the Health Care sector.

Ozon Holdings PLC, a leading e-commerce platform in Russia, detracted in the fourth quarter on multiple compression in global internet stocks and in Russian stocks specifically due to rising geopolitical tensions. We believe Russia will be one of the fastest growing e-commerce markets globally for incumbent players as an unusually fragmented space is consolidated to the level of global peer markets, with Ozon being a primary beneficiary, potentially increasing revenue by three to five times over the intermediate term.

Bajaj Finance Limited is a leading non-bank financial company in India. Shares fell during the quarter due to a retracement of prior period gains owing to the spread of a new COVID variant (Omicron) that could impact near-term growth prospects. Despite the near-term pressure, we think the company is positioned to benefit from growing demand for consumer financial services such as mortgages, personal loans, and vehicle financing. It benefits from a best-in-class management team, robust long-term growth outlook, and stellar risk management frameworks, in our view.

Hangzhou Tigermed Consulting Co., Ltd. is China's largest clinical research organization. Shares came under pressure due to China's growing regulatory scrutiny of the Health Care sector as the government continues to implement drugs price controls. Despite the ongoing regulatory scrutiny, we believe Tigermed is positioned to gain market share and sustain 25% to 30% earnings growth over the next three to five years. The company is benefiting from secular growth for its services owing to the country's booming biotechnology and pharmaceutical industry.

Portfolio Structure[1]

Table IV.
Top 10 holdings as of December 31, 2021

	Percent of Net Assets
Taiwan Semiconductor Manufacturing Company Ltd.	5.3%
Tencent Holdings Limited	3.8
Samsung Electronics Co., Ltd.	3.2
Bajaj Finance Limited	2.7
Reliance Industries Limited	2.5
Glencore PLC	2.1
Alibaba Group Holding Limited	2.1
China Conch Venture Holdings Ltd.	1.9
Han's Laser Technology Industry Group Co., Ltd	1.8
Sberbank of Russia PJSC	1.7

Exposure By Country

Table V.
Percentage of securities by country as of December 31, 2021

	Percent of Net Assets
China	33.3%
India	26.4
Russia	6.6
Taiwan	6.3
Korea	5.5
Brazil	4.6
Hong Kong	2.4
Mexico	2.3
United Kingdom	2.1
Philippines	1.5
Hungary	1.2
Japan	1.2
Poland	0.8
Indonesia	0.7
Peru	0.5
United States	0.4
United Arab Emirates	0.2
Spain	0.1

Exposure by Market Cap: The Strategy may invest in companies of any market capitalization, and we have generally been broadly diversified across large-, mid-, and small-cap companies, as we believe developing world companies of all sizes can exhibit attractive growth potential. At the end of the fourth quarter of 2021, the Strategy's median market cap was $14.3 billion, and we were invested 49.2% in giant-cap companies, 38.3% in large-cap companies, 6.6% in mid-cap companies, and 2.0% in small- and micro-cap companies as defined by Morningstar, with the remainder in cash.

[1] Top 10 holdings, exposures by country and market cap, portfolio characteristics, and recent activity are based on a representative account. Such data may vary for each client in the Strategy due to asset size, market conditions, client guidelines, and diversify of portfolio holdings. The representative account is the account in the Strategy that we believe most closely reflects the current portfolio management style for the Strategy. Representative account data is supplemental information.

Recent Activity

During the fourth quarter, we added several new investments toward existing themes while also increasing exposure to several positions that were established earlier in the year. We continue our endeavor to add to our highest conviction ideas.

We were active in adding to our digitization theme by initiating positions in **JD.com, Inc.** and **Full Truck Alliance Co. Ltd.** JD, one of China's top three e-commerce platforms, is differentiated from principal competitors Alibaba and Pinduoduo in that over 50% of its gross merchandise value is derived from first-party (as opposed to marketplace) sales, and in the substantial investments it has made in building in-house logistics infrastructure as compared to competitors' heavier reliance on third-party providers. These investments in white-glove service levels have historically been a barrier to operating margins, which we view as a forward-looking opportunity as scale drives network leverage in the next half decade. At a time when margins for China's major internet companies may be capped or pressured by regulatory scrutiny, we believe JD's cumulative investments in logistics could allow it to buck sector trends and drive margin expansion from its current low single-digit level, which is meaningfully below that of traditional retailers, not to mention internet platforms. We also expect those cumulative investments to serve as an increasingly valuable differentiator as Chinese consumers' service level demands continue to rise. In our view, JD is well positioned to generate strong double-digit earnings growth over the next three to five years.

Full Truck Alliance, or FTA, is the world's largest digital freight platform by gross transaction value ("GTV"). The company has transformed China's road transportation industry by pioneering a digital, standardized, and smart logistics infrastructure across the value chain. FTA's platform connects shippers with truckers to facilitate shipments across various distances, cargo weights, and types. As of September 2021, there were approximately 1.6 million shipper monthly active users on the platform with an additional 1.3 million users that were unable to register due to the government's ongoing cybersecurity review. Digital penetration in China's massive 4 trillion RMB full-truck-load market is still in the single digits. The legacy solutions that match truckers with shippers are inefficient, often resulting in long idle times and empty return trips. FTA reduces matching time from days to minutes, optimizes truckloads, and removes middlemen who charge more than 10% of freight fees as a commission. We see significant upside for FTA from the rollout of transaction commissions to truckers from less than 50% GTV currently and further upside from rising take rates, and we expect revenue to grow at a 50% CAGR over the next five years.

During the quarter, we also increased exposure to our China value-added theme, most notably by initiating investments in **Yonyou Network Technology Co., Ltd.** and **Estun Automation Co., Ltd.** Yonyou is China's largest Enterprise Resource Planning ("ERP") software provider with an approximate 30% market share. The ERP market is significantly underpenetrated in China, representing a long-term structural growth opportunity as enterprises adopt software to improve operating efficiency. In our view, Yonyou will be a key beneficiary of China's digital transformation and software localization. We are confident that the company will continue to gain market share from multi-national ERP providers, while successfully transitioning to a subscription, cloud-based model, leading to increased recurring revenue. Yonyou's high-quality customer base, with significant exposure to large corporate and government organizations, results in higher customer retention and earnings visibility. We expect the company to generate strong double-digit earnings growth over the next several years. Estun is China's largest domestic manufacturer of industrial robots. We are excited about the growth prospects for robotics in China due to several secular factors including an aging labor force and rising wage inflation. In our view, Estun is the most advanced domestic robotics player with high pricing power, commanding up to 20% price premia versus other local competitors. The company was able to secure orders from blue-chip industrial customers and emerging leaders in high-growth sectors such as Solar PV and batteries. We expect Estun to gain market share from 3.5% today to around 10% by 2025, driven by accelerating industry consolidation as smaller domestic players lack R&D capabilities to offer next-generation robotic solutions to customers. Longer term, there is an opportunity for Estun to also gain share from leading foreign OEMs such as FANUC and Yaskawa, supported by China's focus to push import substitution in critical value-added industries such as robotics & automation. We also expect Estun to expand margins over time due to larger operating scale and vertical integration. The industrial robotics market in China is expected to grow by a 15% to 20% CAGR over the next five years with Estun well positioned to sustain its 30% CAGR over the same period.

As part of our India consumer finance theme, we initiated a position in **ICICI Bank Limited**. ICICI is India's second largest private sector bank with a strong capital base and attractive liability franchise. The bank is focused on the retail segment, which is largely underpenetrated and provides a long runway for growth. We are also impressed by the vision and execution of Sandeep Bakhshi, who took over as CEO three years ago, and has successfully transformed the bank into a best-in-class, digitally savvy, financial services behemoth. ICICI continues to invest in various strategic initiatives to further improve the customer experience, partner with fintechs via an open architecture, use data analytics to customize products, and transform its mobile banking App into a superApp to serve as a "one-stop-shop" for its customers' various financial needs. In our view, ICICI is well positioned to gain market share, improve profitability, and narrow the valuation gap versus other high-quality, private sector banks in India. We expect the company to generate high-teens earnings growth over the next three to five years.

During the quarter, we also initiated an investment in **PT Bank Rakyat Indonesia (Persero) Tbk**, one of Indonesia's largest banks in terms of assets and deposits. The company has historically served the micro lending and SME segments. In our view, Bank Rakyat is entering a period of improving profitability driven by normalized loan provisions, cost efficiencies from technology investments, increasing proportion of higher-yielding loans in the portfolio, and cost of funds synergies within two recently acquired lending firms. We believe loan growth expectations could surprise positively over the medium term, driven by an increasingly favorable macro outlook for Indonesia as the economy recovers from COVID and as the government looks to support the various business segments it serves. We are also encouraged that Bank Rakyat has been at the forefront of investments in fintech through its ownership in BRI Ventures and Bank Raya, a bank that will focus on financial services to the gig economy.

Finally, we added to several of our existing positions during the quarter, with the largest being **Taiwan Semiconductor Manufacturing Company Ltd.**, **Tencent Holdings Limited**, **Kanzhun Limited**, **Han's Laser Technology Industry Group Co., Ltd.**, **Americanas S.A.**, **WuXi Biologics Cayman Inc.**, **NARI Technology Co. Ltd.**, **Ozon Holdings PLC**, and **Godrej Consumer Products Limited**.

During the quarter, we also exited several positions, most notably **Golar LNG Ltd.**, **Meituan, Inc.**, and **Sino Biopharmaceutical Ltd.** In our endeavor to increase concentration in holdings where we have the highest conviction in their quality and return potential, while eliminating lower conviction or smaller holdings over time, we also exited positions in **Lojas Americanas S.A.**, **Dr. Reddy's Laboratories Ltd.**, and **Kotak Mahindra Bank Ltd.**

Outlook

Global equity performance in the final quarter of 2021 largely followed the playbook established early this year: U.S. equities, defined as the S&P 500 Index or NASDAQ Composite Index, continued to grind through notable corrections en route to new all-time highs, EM equities continued towards a series of gradual lower lows, while international indices largely churned sideways into year end. Intra-market equity volatility remained fairly escalated with leadership ebbing and flowing due to mixed signals regarding COVID and the emergence of the Omicron variant, shifting expectations and/or uncertainty regarding the forward path of inflation and future central bank policy, and within EM, a widening risk premium due to political and regulatory uncertainty in China, Russia, and Brazil. Importantly, we note that on a forward-looking basis, and unlike the last episode of "taper tantrum," several EM jurisdictions have already absorbed an adjustment in future interest rate and liquidity conditions, while this is just beginning in the U.S. While we are disappointed with the scope of underperformance of EM equities since early in the year, we maintain the view that we are likely exiting a long cycle of underperformance, while current absolute and relative valuations, and our expectations regarding forward-looking fundamentals, suggest potentially material improvement ahead. We note that EM equities ended the year trading at a 43% valuation discount (based on P/E) relative to U.S. equities. This is nearly a 20-year low and a steep discount relative to the average discount of 22% over this period, while EM equities have traded at parity with U.S. equities in the late stages of an outperformance cycle.

As we remarked in our previous letter, rather than conclude that "China has become uninvestable," we would posit that the global economy, corporate earnings, and asset prices are influenced by two major axes of macroeconomic activity and liquidity; one is China, while the other of course is the U.S. We believe that China's regulatory and credit tightening cycle is nearing its trough, and, in our view, this campaign can be considered a success, as based on the stress already apparent in economic activity and asset prices, the stability and discipline message has been delivered. On the other hand, the U.S. appears to be passing through a near-term peak, with a phase of moderation or tightening increasingly inevitable. While we suspect that the current global correction may have to run a bit further to address imbalances, we are increasingly confident that EM and international equities are poised for a period of mean-reverting outperformance. The final quarter of 2021 further stretched recent trends, and while we have little to add to our conclusion from last quarter, we believe that we are seeing increasing evidence that China's credit and regulatory tightening is nearing its completion, and we offer that the rapid progression of Omicron further supports our base case outlook for global growth and a mean reversion in equity performance. In the first days of January, Chinese authorities unveiled a series of much anticipated regulatory measures relating to data security. While this communiqué triggered a fresh China-related equity sell-off, particularly those listed in the U.S. as ADRs, we do not view the specifics as likely to have any material fundamental impact on growth or earnings of the companies under regulatory review. From our initial interpretation, the impact is more likely to coerce Chinese companies to list in Hong Kong or China, rather than in the U.S., as doing so might result in a more efficient and less stringent review process. While we understand international and U.S. investors' knee jerk reaction to China's apparent disdain regarding their leading companies pursuing a principal listing in the U.S., this is nothing new or unexpected, and it is not likely to materially impact long-term institutional investors with ready access to Hong Kong and mainland China equity exchanges. Rather, we suspect this regulatory initiative is more likely to represent a "final shoe to drop" in a long year of tightening, which, if so, would signal a bottoming process for China-related equities in general.

While the emergence of the Omicron variant provoked uncertainty, volatility, and sector rotation in recent months, we believe the rapid spread we are currently witnessing is quite likely to enhance the transition to a mean reversion in market leadership, where EM and international equities become perceived as offering greater upside potential upon global normalization. It is increasingly evident that each successive wave of COVID variant is more contagious, but less severe, particularly for the vaccinated population, and we believe Omicron likely represents the point at which markets begin to anticipate herd immunity and/or the transition of COVID from pandemic to endemic. Should this happen, we would expect investors to rethink "COVID disruption risk," and to increasingly anticipate full normalization, pent-up demand to be released, supply/supply-chain imbalances to moderate, and most jurisdictions to return to economic growth potential. In this case, the countries and sectors most impacted by COVID disruption/risk would have the greatest recovery potential, in our view, favoring international and emerging economies, earnings, and equities. Finally, we believe normalization would reduce credit risk, and likely provoke a consumer/corporate credit expansion, particularly in the areas most impacted by COVID, driving an acceleration in growth and corporate earnings. We remain optimistic regarding the longer-term outlook for EM equities and of course, as always, we remain confident that we have invested in a portfolio of well-positioned and well-managed companies with bright prospects ahead.

Sincerely,

Michael Kass
Portfolio Manager

The performance of accounts in the Strategy may be materially different at any given time. Differences that may affect investment performance include cash flows, inception dates, and historical prices. Positions may not be the same or may be traded at different times. In addition, accounts in the Strategy may be pursuing similar investment strategies, but may have different investment restrictions.

Risks: In addition to the general stock market risk that securities may fluctuate in value, investments in developing countries may have increased risks due to a greater possibility of: settlement delays; currency and capital controls; interest rate sensitivity; corruption and crime; exchange rate volatility; and inflation or deflation. The Strategy invests in companies of all sizes, including small and medium sized companies whose securities may be thinly traded and more difficult to sell during market downturns. The Strategy may not achieve its objectives. Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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