Michael Kass: Headwinds Haven't Dimmed Our Emerging Markets and International Outlook

This is an edited version of a February 16, 2022, Q&A with Michael Kass, portfolio manager of Baron Emerging Markets Fund, Baron International Growth Fund, and Baron New Asia Fund, with additional commentary from members of the EM/International research team. To access the recording, please dial (800) 633-8284, passcode #22015478.

Executive Summary

- We entered 2021 with optimism for the international and emerging markets. However, the emergence of the Delta and Omicron variants, accompanied by vaccine hesitancy, introduced uncertainty.
- Rising inflation transformed expectations for ongoing central bank accommodation into anticipation of aggressive tightening. Those headwinds were compounded by substantial credit and regulatory tightening in China as well as emerging geopolitical risks.
- Technology was a key source of underperformance for the Emerging Markets strategy; however, India was a bright spot as was our sustainability theme. In the fourth quarter, a retracement in India gave back a portion of the prior period's strong gains.
- Digitization and luxury themes were positive drivers for the International Growth strategy. Those positives were partially offset by selected technology investments and some of its Brazil holdings. In the fourth quarter, we saw a retracement of year-to-date gains in the digitization holdings and other fintech investments.
- There is no change to our longer-term outlook. We still believe we are entering a sustainable phase of outperformance for these strategies. With pandemic reopening and normalization around the world and the Fed's shift to a more aggressive rate hike cycle, people are likely to be encouraged to migrate out of the U.S. safety trade and into EM and international.

Introduction

Since inception through 12/31/21, Baron Emerging Markets Fund has a cumulative return of 87%, outperforming the MSCI EM Index by more than double and the MSCI EM IMI Growth Index, whose cumulative returns are at 39% and 65%, respectively. As of 12/31/21, Baron Emerging Markets Fund has a 4-star overall rating from Morningstar.

Since inception through 12/31/21, Baron International Growth Fund has a cumulative return of 362%, outperforming the MSCI ACWI ex USA Index by more than double and the MSCI ACWI ex USA

IMI Growth Index, whose cumulative returns are at 174% and 239%, respectively. As of 12/31/21, Baron International Growth Fund has a 4-star overall rating from Morningstar.

For the period ended 12/31/2021, Baron Emerging Markets Fund received a 4-Star Overall Morningstar Rating™, 3-Star 3-Year Rating, 3-Star 5-Year Rating, and 5-Star 10-Year Rating. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures of 720, 720, 615, and 342 funds in the category, respectively. This Morningstar Rating is for the Institutional share class only; other classes may have different performance characteristics.

For the period ended 12/31/2021 Baron International Growth Fund received a 4-Star Overall Morningstar Rating™, 4-Star 3-Year Rating, 4-Star 5-Year Rating, and 4-Star 10-Year Rating. The Morningstar Ratings are based on the Morningstar Risk-Adjusted Return measures of 386, 386, 332, and 221 funds in the category, respectively. This Morningstar Rating is for the Institutional share class only; other classes may have different performance characteristics.

Baron Emerging Markets Fund is in the Morningstar Diversified Emerging Markets Category and Baron International Growth Fund is in the Morningstar Foreign Large Growth Category. Morningstar calculates the Morningstar Category Average Performance and rankings using its Fractional Weighting methodology. Morningstar rankings are based on total returns and do not include sales charges. Total returns do account for management, administrative, and 12b-1 fees and other costs automatically deducted from fund assets.

Q&A with Michael Kass

Please recap the strategies' fourth quarter and full-year 2021 performance.

The full year, especially the latter part, was challenging, particularly for EM and growth equities.

In terms of fourth quarter performance, our Emerging Markets strategy underperformed the MSCI EM Index by about 250 basis points and the MSCI EM IMI Growth Index by about the same amount. For the full year, the Emerging Markets strategy lagged its benchmark by about 350 basis points and the MSCI EM IMI Growth Index by about 50 basis points. On a three-year trailing basis, the Emerging Markets strategy has about a 13% compounded return, outperforming the benchmark by about 200 basis points per annum but underperforming the MSCI EM IMI Growth Index by about 200 basis points per annum.

What were the primary drivers of performance?

For the Emerging Markets strategy, technology was a key source of underperformance. We saw big corrections in our fintech investments, particularly in the latter part of the year. Also, China's regulatory tightening impacted several of our China value-added theme investments, particularly SaaS [Software as a Service]. Our ongoing underweight in **Taiwan Semiconductor Manufacturing, Ltd**, the largest stock in the EM Index, was a factor in relative underperformance as well.

On the positive side, India was a bright spot, particularly for our consumer finance and wealth management holdings there. I would also highlight our sustainability theme, where some strong performers drove solid performance.

In the fourth quarter, a retracement in India gave back a portion of the prior period's strong gains. Russia, which also was a strong performer in EM through the third quarter, retraced the bulk of the year-to-date gains in the fourth quarter in light of the changing geopolitical environment.

For the International Growth strategy, positive drivers were the digitization theme, including **Future plc, S4 Capital plc, eDreams ODIGEO SA**, and the luxury theme. Those positives were partially offset by weakness in selected technology investments and some of the Fund's Brazil holdings. In the fourth quarter, the International Growth strategy saw a retracement of its year-to-date gains in the digitization holdings and other fintech investments.

What prompted the setback?

Michael Kass: The year began with a lot of enthusiasm; people were increasing their allocations to EM expecting global economic recovery or expansion premised on vaccine optimism. EM and international equities were more adversely impacted by the COVID disruption than U.S. equities, so we saw strong recovery in late 2020 with anticipation of further economic normalization and ongoing central bank accommodation. The subsequent emergence of the Delta variant and then the Omicron variant and the reintroduction of restrictions and shutdowns when the expectation was recovery and normalization was a major catalyst of the setback. I would also say that vaccine hesitancy was a factor. There were high expectations that we would get closer to herd immunity through vaccination, but we hit a wall globally.

Second, supply chain disruptions became a major variable impacting markets and driving rising inflation expectations. That inflation, in turn, eroded expectations for ongoing central bank accommodation. As we progressed through last year, anticipation of aggressive central bank tightening increased. The Fed was the last hold up, but across our jurisdictions, particularly in EM, a lot of central banks already have gone through a significant interest rate hike campaign.

The third obstacle was substantial credit and regulatory tightening in China. As China is a key economic driver in the EM and international markets, that was another factor resulting in underperformance.

Finally, late in the year, Russia geopolitical risk was introduced out of left field. This, of course, exacerbates concerns around inflation because Russia is a major exporter of oil, gas, and other commodities. The potential disruption of flows to Europe caused another round of rising risk premium related to inflation concerns.

Where do you think these markets are headed?

Our current focus is recovery from the pandemic. As we move from pandemic to endemic and get closer to herd immunity, the most disrupted jurisdictions should see a reversal of earnings momentum back in the direction of ex-U.S. The next big catalyst is evidence that China is transitioning to a more favorable credit cycle. We also believe China's severe regulatory mandates have peaked and are likely to stabilize and then reverse.

Greater conviction in reopening and normalization around the world and the Fed's shift to a more aggressive rate hike cycle is beginning to encourage people to migrate out of the U.S. safety trade and into EM and international. In our view, the "taper tantrum," to the extent there would be one, is largely behind us. Most EM central banks have already gone through multiple rate hikes. Those that haven't are now alongside the Fed with rate hikes getting priced in. So, we think that, starting from a position of higher relative yields and wider spreads in international and particularly EM countries, there is potential for those spreads to narrow rather than widen, the latter of which would typically be a concern for investors when entering a Fed rate hike cycle.

In terms of valuation, we entered the year with record discounts for both international and EM. I think international equity is trading at about 68% of the multiple of the U.S., where historically that number is around 87% or 88%. The spread is even wider in EM where I think the number is 57% and a 20-year average is around 78%. We feel that we have stretched to the limits the capital flows out of international and EM into the safety of the U.S. Certainly, there are reasons for that. Earnings momentum was stronger through the COVID cycle in the US. But we now think that is set to reverse.

There is really no change to our longer-term outlook. We still believe we are entering a sustainable phase of outperformance for these strategies.

What is the impact of the recent U.S. Commerce Department restrictions regarding the ability to import material from the U.S.?

The US Commerce Department filing applied to about 30 companies, most of which nobody has ever heard of and are of little importance to market. One, however, is a stock widely held by global investors called **WuXi Biologics Cayman, Inc.** We believe the filing was more of a procedural administrative filing. We do not believe it was intended to signal a major escalation of foreign policy or a return to the trade war. It was to some extent, received that way by global investors. We spoke to WuXi Bio, and from its perspective this is about procedural inspections that are supposed to happen every couple of years. Its inspection was waived in 2019 and then further waived due to COVID. Basically, it needs to demonstrate that the end use of the products, technology, or components it imports from the U.S. is contained within its business and it is not selling or making that U.S. content available to entitiesthe U.S. would not like, such as those that might be deemed as affiliated with the Chinese military. We have high confidence that this company does not engage in that, but it has not been able to schedule an FDA inspection during COVID. The filing did trigger a selloff in many of our China value-added positions, but as far as we can tell, this is innocuous and can be addressed.

Could you review your principal themes? Have there been any changes in focus?

Our key themes have not changed, nor have the weightings changed much. Digitization remains in both strategies. Our largest exposure is about mid-20% percent in EM, low-20% in international growth. We saw substantial underperformance by China digitization stocks in the second half of last year. We were underweight when the repricing happened; we've been moving back toward a market weight there. We think the market overreacted to the changing regulatory environment; a 50% to 70% correction in most of those related stocks is far too much of a discount, given that there's going to be probably a modest reduction in growth and profit margin potential.

In the EM strategy, consumer is a mid-teens thematic weight, China value-add is about 13%, sustainability is 12%, India financialization and wealth management is 11%; fintech construction is 4%, automation and robotics is 4%, and China supply chain diversification is 2.5% to 3%.

No major changes but maybe just more of a rebalancing, adding to underperforming areas and taking some profit in outperforming areas. The source of funds has been some profit-taking in India, which had risen to 25%+ due to its outperformance last year. We brought that weight back down to the 21% to 22% range, which is still a large overweight relative to the index. We're optimistic about some of the high-quality companies we own in Brazil. We're carrying too much risk premium, and they're repricing higher this year. We added about 100 basis points or so to our weighting in Brazil. The source of funds was a reduction in our Russia exposure from overweight to market weight-plus. Taiwan and Korea remain significant underweights in the EM strategy.

In the International Growth strategy, we're at 22% digitization; quality growth, bottom-up stocks not related to a specific theme are 15% to 20%; sustainability is 11%; China value-added is 7%. A variety of themes — automation, robotics, biotech, diagnostics, EU mutualization, and luxury — are all around 5%. We have more themes because there's a lot of exposure specific to those jurisdictions, whether it's Brexit or EU mutualization.

Let's turn now to our international and EM research analysts for their observations.

India -- Anuj Aggarwal: India is a standout investment destination within EM, primarily due to the economic reforms implemented over the past three to five years. One landmark reform is the GST [Goods and Services Tax], a simplified tax code that brought corporate taxes from as high as 35% to as low as 17%. That reform is aimed at enticing manufacturers, vendors, and supply chains to move from China and other countries to India. Land and labor reforms also make it easier to do business in India, which has been a legacy issue. The government has incentivized affordable housing and passed key legislation to kick-start the real estate cycle.

We are excited about accelerating digitization, and India is just getting started. In our view, India is probably 15 to 20 years behind China in the evolution of its digital ecosystems. Just imagine investing in **Tencent Holdings Limited** or **Alibaba Group Holding Limited** in the early 2000s. We think the likelihood of significant value creation coming out of India digitization is really exciting. And so, we have identified dominant leaders within specific verticals within technology. **Pine Labs Pte. Ltd.** is one of the largest merchant commerce players enabling digital payments and digital commerce in India. The strategy's largest position within India digitization is **Reliance Industries Limited.** This is the backbone of India's digital ecosystem, empowering more than 400 million users to transition from 2G to 4G and 5G. This is really kick-starting the ecosystem, given that 600 million-plus Indians now have access to broadband data at an ARPU [average revenue per user] of $2 a month. That is probably one of the lowest rates in the world today, which is really driving penetration for various digital services.

Sustainability -- Chingiz Gadimov: Both our international and emerging markets portfolios have exposure to battery metals. These companies provide critical minerals, materials, and metals to power the energy transition related to EVs [electric vehicles] and energy storage. The first is **Glencore plc**, a large-cap diversified metals and mining commodities firm. It's a major producer of key EV energy storage battery metals, including copper and cobalt. In cobalt it has essentially formed an oligopoly with one of its Chinese peers to control a majority of the cobalt supply. We expect a multi-year supply deficit for copper, driven by a structural demand increase from electrification. Just to give you an idea, EVs and wind and solar plants require four to five times more copper than their conventional counterparts. We think this structural deficit is just starting and we'll need much more copper by the end of the decade to meet this energy transition. On a micro level, we see a big transformation in Glencore's portfolio, as it has the elements necessary to de-carbonize. It's streamlining the portfolio to focus on these energy transition metals.

In the international portfolio, we like a smaller-cap company called **AMG Advanced Metallurgical Group**. This is a European specialty metals company producing critical materials such as vanadium and titanium alloys. We've been investors for over a year. Its core business has been recycling spent catalysts and extracting valuable vanadium. We are excited about its growth opportunity in lithium, another essential metal in EV batteries, energy storage, and these transformational growth opportunities. We're most excited that the company is moving to a higher value-add part of the value chain into lithium chemicals. It's one of the first movers in the EU where rapidly escalating battery demand is creating an urgent need for domestically sourced battery material.

Financials -- José Barria: In the Financials sector we're excited about the prospects for international traditional legacy financials. We think banks and insurance companies have reached an inflection point in earnings and are entering a period of higher growth that could lead to significant upside in their share prices. The past two years have been rough for the sector as companies dealt with the uncertainties surrounding COVID. Companies weren't growing; they had to preserve capital and liquidity. Ultimately, they lost share to digital competitors who saw increased demand for their services.

We believe in the long-term secular trend toward more digital financial services. We have made several investments in fintech names to play that theme globally. Near-term, however, growth momentum has shifted toward legacy players as many recent headwinds are abating. These companies have made significant investments to partner or compete with their digital counterparts. In addition, we're entering a new credit cycle in many parts of the emerging and developed world. This should lead to higher earnings growth and better stock performance, given low expectations and depressed valuations.

We see three trends supporting a rebound in earnings:

- **Loan growth** is accelerating in many parts of the world. We think the emerging markets are beginning a new credit cycle. They are reopening with a lag compared to the developed world, post-COVID. We expect to see increasing demand for credit both from the corporate and the retail side. Banks are also becoming more comfortable in lending, creating a positive dynamic on the supply side. In the developed world, mid-single-digit economic growth is forecast for Europe for the first time in more than a decade. That supports our theme of debt mutualization, which should translate into lower funding costs for banks and better spreads and revenue growth.
- **Interest rates** are rising globally and will provide a tailwind for banks' margins and insurance companies' investment returns. In Europe, negative interest rates have been a drag on margins for many years. So, there's an inflection point in what's happening there with pricing and spreads.
- **Provision charges** [by the banks.] Banks built excess reserves during the pandemic and have been more risk-averse in originating loans. We think that leads to better credit quality portfolios, lower loss ratios, and the ability to reverse some of the charges they booked over the last two years that didn't materialize as losses.

While the Financials sector has recently outperformed some of the broader EM and developed indexes, we think legacy firms are still attractive relative to their profitability and growth potential. To us, that suggests they'll be among the leading stocks for the next 12 to 18 months.

Consumer -- Eric Guzman: Luxury was a big theme for us last year. We added to our investments early in the year and isolated our positions exclusively to owners of the best brands. We view them as structural share-takers over time. During the pandemic, we saw a great deal of wealth was being created for high earners. That started flowing through prices for high-end real estate, contemporary art, and luxury goods where sales were recovering to pre-pandemic levels much faster than most people expected.

Watches of Switzerland Group Limited, a UK-based retailer of luxury watches, is a stock levered to these trends but also under-followed and misunderstood. We were able to take advantage of that. At the time of our investment, it was perceived as a declining business because Swiss watch exports have been on a declining path for many years. The difference here is that Watches of Switzerland is not just a watch retailer. It is a watch retailer with more than 50% of revenue coming from Rolex and another 20% coming from Audemars Piguet and Patek Philippe — three brands for which demand so vastly exceeds supply that their waitlists, in some cases, exceed two years. In the second half of 2020 and first half of 2021, during the peak of the pandemic, Watches of Switzerland's UK stores were closed, yet its overall UK revenue actually surpassed pre-pandemic levels.

The key to this business is access to supply constraint merchandise. This company has that access because its relationships with these brands go back many decades. Those brands are reducing their list of distributors to the benefit of Watches of Switzerland, which now sells about one out of every two Rolexes in that market. We think something similar is happening in the U.S. market, which the company entered three years ago, where we think its business can triple over the next five to seven years.

We started buying the stock last February. We participated in the secondary offering at around £6.30. The stock has now more than doubled since then as some of these points have come to be better understood by the market. While some of the return profile has been pulled forward, we think the stock can double again over the next six years.

Chinese technology -- Eitan Chemerinski: A new investment in **Yonyou Network Technology Co., Ltd.** is an example of our increased exposure within the China digitization theme. Yonyou is China's largest provider of enterprise resource planning software (ERP), with roughly 30% market share. ERP is used to manage day to day business activities such as accounting, supply chain, and sales. ERP is significantly under-penetrated in China, which we believe represents a long-term structural growth opportunity, as these companies adopt the software to improve operating efficiency and offset rising labor costs.

The Chinese government continues to strongly support the development of the domestic software industry, seeing it as a key pillar of the country's economic modernization. In our view, Yonyou will be a major beneficiary of China's digital transformation and software localization. We are confident that the company will continue to gain market share from multinational ERP providers, such as Oracle and SAP, while successfully transitioning to a subscription cloud-based model.

Finally, Yonyou's high-quality customer base with significant exposure to large corporations and government organizations results in higher customer retention and earnings visibility. We expect the company will generate strong double-digit earnings growth over the next several years.

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Baron International Growth Fund's annualized returns for the Institutional Shares as of December 31, 2021: 1-year, 9.88%; 5-years, 16.03%; 10-years, 11.80%. Annual expense ratio for the Institutional Shares as of December 31, 2020, was 1.01%, but the net annual expense ratio was 0.95% (net of the Adviser's fee waivers). **Baron International Growth Fund**'s annualized returns for the Institutional Shares as of December 31, 2021: 1-year, 9.88%; 5-years, 16.03%; 10-years, 11.80%; since inception, 12.49%. Annual expense ratio for the Institutional Shares as of December 31, 2020, was 1.01%, but the net annual expense ratio was 0.95% (net of the Adviser's fee waivers). **MSCI ACWI ex USA Index**

annualized returns for the as of December 31, 2021: 1-year, 2.82%; 5-years, 9.61%; 10-years, 7.28%; since fund inception, 8.06%. **MSCI ACWI ex USA IMI Growth Index** annualized returns for the as of December 31, 2021: 1-year, 5.97%; 5-years, 13.12%; 10-years, 9.28%; since fund inception, 9.84%.

Baron Emerging Market Fund's annualized returns for the Institutional Shares as of December 31, 2021: 1-year, -6.07%; 5-years, 10.58%; 10-years, 8.46%; Since inception, 5.86%. Annual expense ratio for the Institutional Shares as of December 31, 2020, was 1.09%. **MSCI EM Index** annualized returns for the as of December 31, 2021: 1-year, -2.54%; 5-years, 9.88%; 10-years, 5.49%; since fund inception, 3.05%. **MSCI EM IMI Growth Index** annualized returns for the as of December 31, 2021: 1-year, -5.50%; 5-years, 12.51%; 10-years, 7.49%; since fund inception, 4.04%.

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. The Adviser reimburses certain Baron Fund expenses pursuant to a contract expiring on August 29, 2032, unless renewed for another 11-year term and the Fund's transfer agency expenses may be reduced by expense offsets from an unaffiliated transfer agent, without which performance would have been lower. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, visit www.BaronFunds.com or call 1-800-99BARON.

Baron International Growth Fund: Performance for the Institutional Shares prior to 5/29/2009 is based on the performance of the Retail Shares, which have a distribution fee. The Institutional Shares do not have a distribution fee. If the annual returns for the Institutional Shares prior to 5/29/2009 did not reflect this fee, the returns would be higher.

Baron International Growth Fund's 4Q 2021 historical performance was impacted by gains from IPOs and there is no guarantee that these results can be repeated or that the Fund's level of participation in IPOs will be the same in the future.

Risks: Non-U.S. investments may involve additional risks to those inherent in U.S. investments, including exchange-rate fluctuations, political or economic instability, the imposition of exchange controls, expropriation, limited disclosure and illiquid markets. This may result in greater share price volatility. 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. Securities of small and medium-sized companies may be thinly traded and more difficult to sell.

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Portfolio holdings as a percentage of net assets as of December 31, 2021, for securities mentioned are as follows: AMG Advanced Metallurgical Group N.V. - Baron International Growth Fund (1.3%); **Taiwan Semiconductor Manufacturing Ltd.** - Baron International Growth Fund (1.7%), Baron Emerging Markets Fund (5.3%); **Future plc**– Baron International Growth Fund (3.0%), **S4 Capital plc**– Baron International Growth Fund (2.2%); **Glencore PLC** –Baron Emerging Markets Fund (2.1%); **eDreams IDIGEO SA** -- Baron Emerging Markets Fund (1.5%); **WuXi Biologics Cayman, Inc.**– Baron Emerging Markets Fund (0.5%); **Tencent Holdings Limited** – Baron International Growth Fund (0.3%), Baron Emerging Markets Fund (3.6%); **Alibaba Group Holdings Limited** – Baron International Growth Fund (1.0%), Baron Emerging Markets Fund (2.1%); **Pine Labs Pte Ltd.**– Baron Emerging Markets Fund (0.2%); **Reliance Industries Limited** – Baron International Growth Fund (1.0%), Baron Emerging Markets Fund (2.5%); **Watches of Switzerland Group Limited** – Baron International Growth Fund (1.2%); **Yonyou Network Technology Co., Ltd.**– Baron International Growth Fund (0.5%), Baron Emerging Markets Fund (0.5%).

Top 10 holdings as of December 31, 2021

Baron International Growth Fund

Holding	% Assets
Future plc	3.0
S4 Capital plc	2.2
BNP Paribas S.A.	2.2
Keyence Corporation	2.1
Nestle S.A.	1.9
Endava plc	1.8
Linde plc	1.8
Argenx SE	1.8
Taiwan Semiconductor Manufacturing Ltd.	1.7
Befesa S.A.	1.7
Total	20.2

Baron Emerging Markets Fund

Holding	% Assets
Taiwan Semiconductor Manufacturing Company Ltd.	5.8
Tencent Holdings Limited	3.8
Samsung Electronics Holdings Limited	3.2

Bajaj Finance Limited	2.7
Reliance Industries Limited	2.5
Glencore PLC	2.1
Alibaba Group Holdings 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
Total	27.1

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

Non-mutual fund products are available to institutional investors only.

The **Morningstar Rating™** for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

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. The **MSCI ACWI ex USA Index Net USD** measures the equity market performance of large and mid cap securities across developed and emerging markets, excluding the U.S. The **MSCI ACWI ex USA IMI Growth Index Net USD** measures the performance of large, mid and small cap growth securities across developed and emerging markets, excluding the U.S. MSCI is the source and owner of the trademarks, service marks and copyrights related to the MSCI Indexes. The indexes and the Fund include reinvestment of dividends, net of foreign withholding taxes, which positively impact the performance results. The indexes are unmanaged. Index performance is not Fund performance; one cannot invest directly into an index.

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