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Global Emerging Market Equities – Wie finde ich unentdeckte Perlen?

Krishan Selva, CFA – Client Portfolio Manager

22. September 2021



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Introduction



Krishan Selva, CFA
Client Portfolio Manager

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Why Emerging Market Equities:

Why is it a great time to be investing in the asset class and some challenges

2

Opportunities in Emerging Markets:

Where do we see opportunities and what's getting us excited

3

Azul case study:

A deeper dive into our approach for evaluating companies

4

Strategy overview:

Key highlights and differentiating features of the Columbia Emerging Markets Opportunity Strategy.



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Section 1

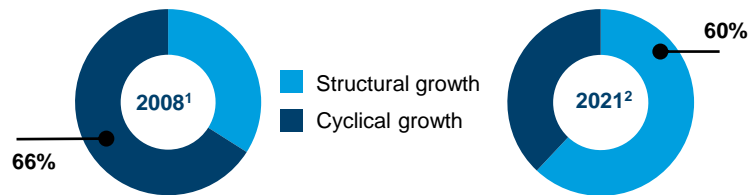
Why Emerging Market Equities



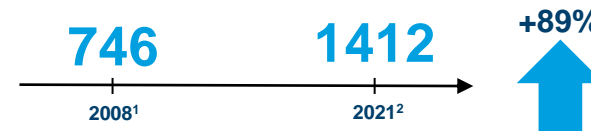
How Emerging Markets have changed

Opportunities for structural growth

Cyclical and structural growth exposures



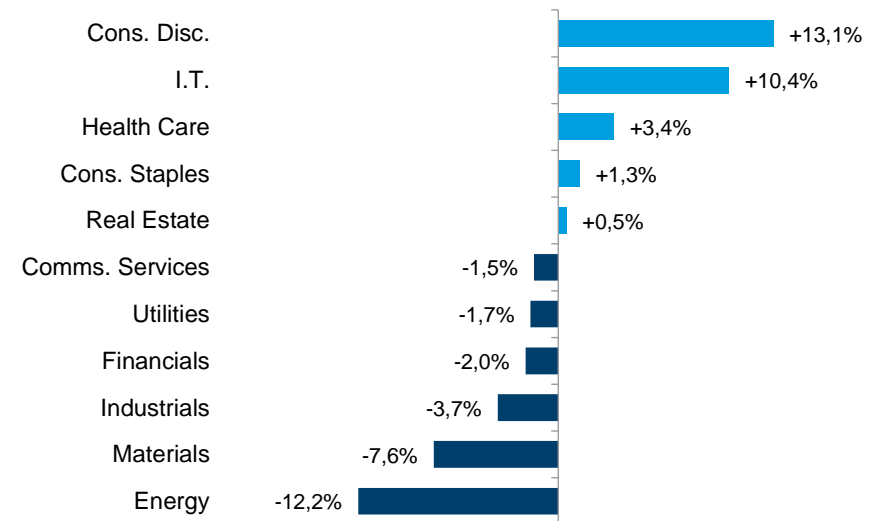
Number of stocks in MSCI Emerging Markets



Top 10 index positions and weight

2008 ¹	Weight	2021 ²	Weight
China Mobile	3.5%	TSMC	6.1%
Petrobras	3.3%	Tencent	5.0%
Samsung Electronics	2.3%	Alibaba	5.0%
Teva Pharmaceutical	2.2%	Samsung Electronics	4.0%
Gazprom	2.0%	Meituan Dianping	1.7%
TSMC	1.6%	Naspers	1.1%
America Movil	1.6%	Vale	1.0%
ICBC	1.3%	Reliance	0.9%
China Life Insurance Co.	1.2%	China Construction Bank	0.9%
Vale	1.2%	Infosys	0.8%

Change in sector weights between 2008¹ - 2021²



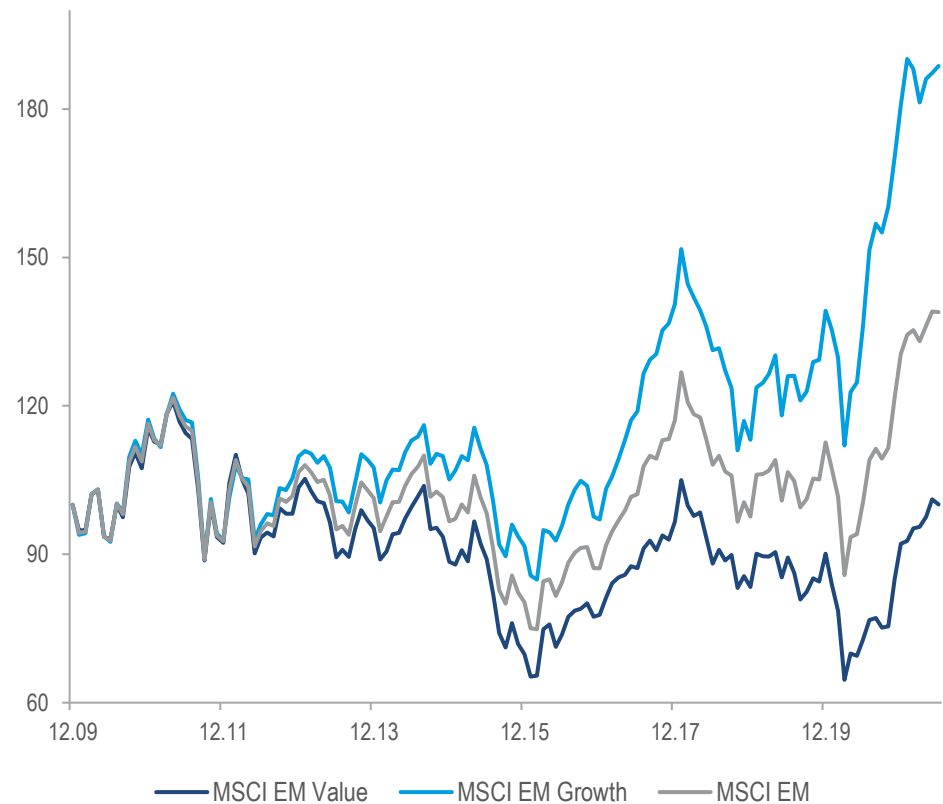
Source: MSCI. MSCI Emerging Markets Index. 1: as at 31 January 2008. 2: as at 30 June 2021. Cyclical growth sectors defined as Financials, Energy, Industrials, Real Estate, Utilities and Materials. Structural growth sectors defined as Consumer Discretionary, Communication Services, Healthcare, Information Technology and Consumer Staples. The securities listed are for illustrative purposes only, subject to change and should not be construed as a recommendation to buy or sell. Securities discussed may or may not prove profitable.

Does Value investing work in Emerging Markets?

Considerable headwinds

- **Factor definition:**
Value factor is too reliant on price-to-book and as such doesn't capture intangible assets
- **SOEs dominate Value:**
Need a sustained commodity rally for these inefficient companies to do well
- **Universe favours Quality:**
Composition of the universe favours structural growth over cyclical growth
- **Cost of funding:**
Companies that screen well from an ESG perspective can benefit from a lower cost of funding – benefits Quality

Value has lagged the broader markets for a decade



Source: MSCI, as of 30 June 2021.
Past performance is not a guarantee of future results.

Regulatory headwinds & opportunities

China equity



Internet & platform economy

- Antitrust/data privacy/data security etc.
- Out-dated framework
- Potential for winners and losers



Common prosperity

- Improve income inequality & social welfare
- Private sector: 60% of GDP & 80% of urban employment
- Starting point is important to contextualize changes



Minors

- Education and gaming
- Goals focussed on the well-being of youth
- Demographic challenge to increase birth rate



Opportunities

- A large & broad equity universe
- Invest with policy for strong tailwinds
- Healthcare, EV, manufacturing, environment, sports etc.





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Section 2

Opportunities in Emerging Markets



Early-stage adoption of e-commerce

Low penetration and growth

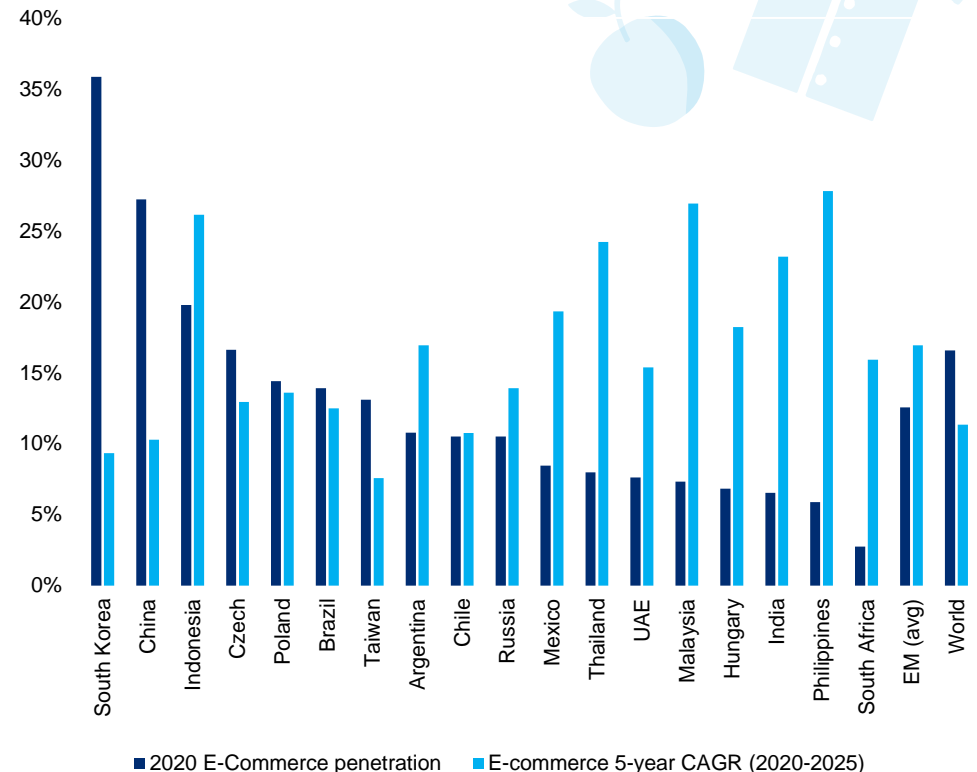


- **E-commerce penetration is still low**
 - Penetration is still in its infancy and the opportunity set in emerging markets is considerable

- **Pandemic has accelerated the trend**
 - Many consumers shopped online for the very first time, but there is still a long way to go

- **Monetisation is even earlier**
 - The monetisation of these business model will provide considerable growth opportunities

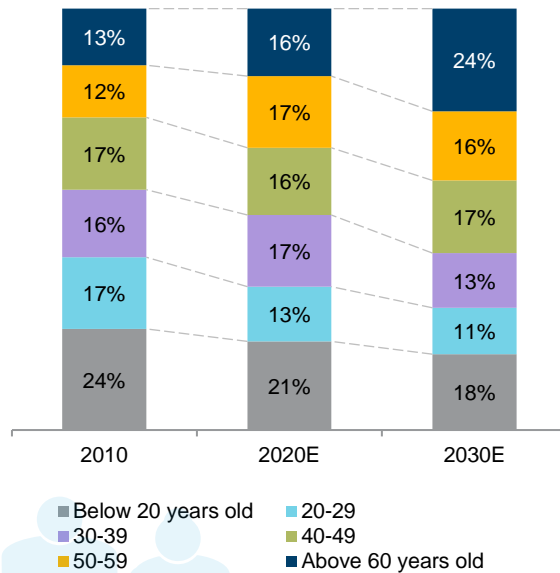
- **Diverse opportunity set in EM**
 - We are investing in domestic champions across Asia, Latin American and Eastern Europe.



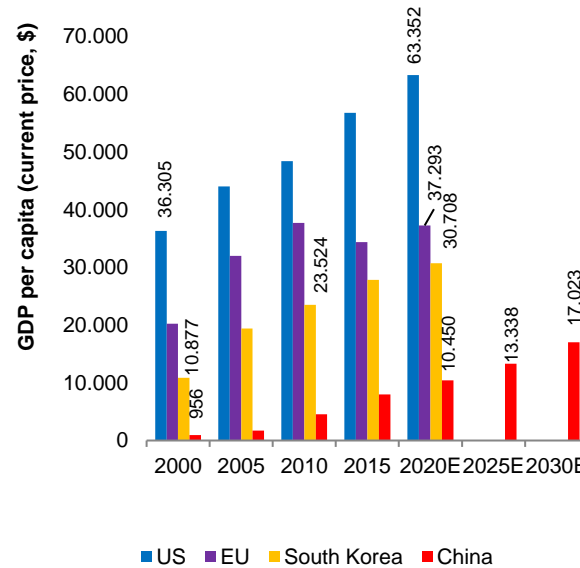
China Healthcare

Older, richer and sicker

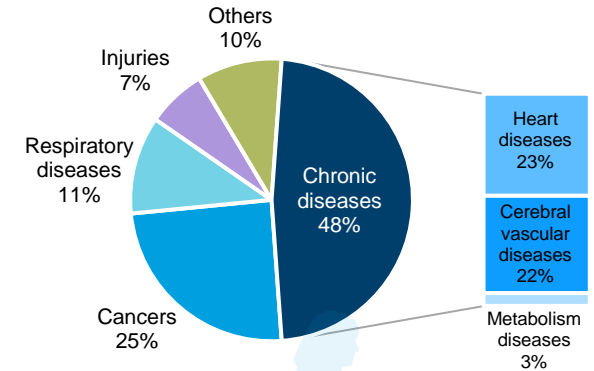
The population is growing and getting older¹



Wealth and disposable income are increasing²



Chronic disease affects ~50% of all patients³

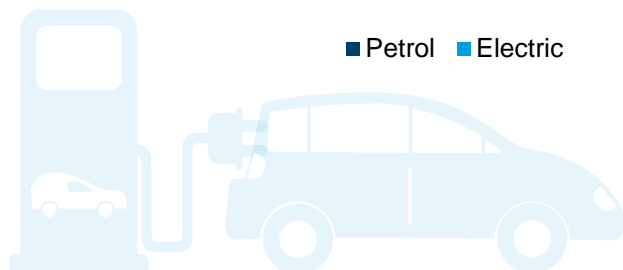
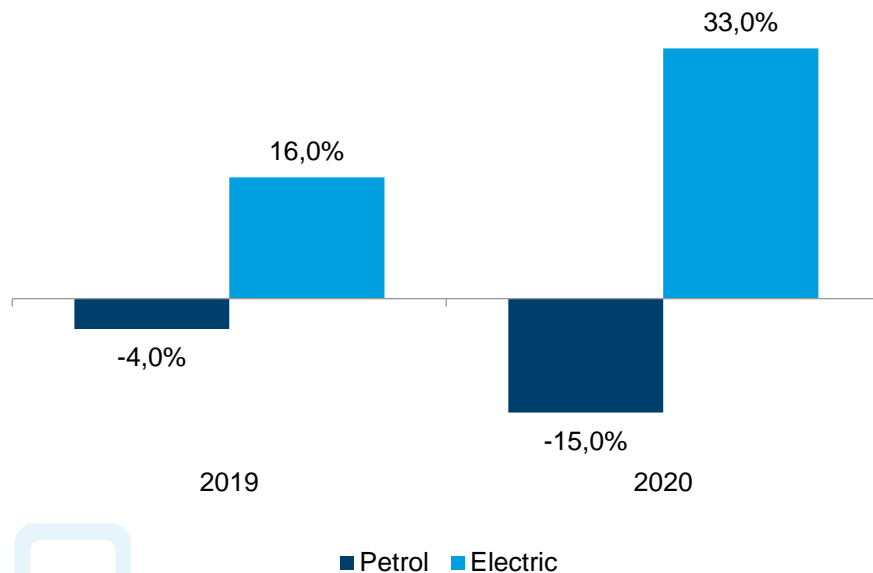


1: Source: WIND, Jefferies Research, as at July 2020.
 2: Source: CEIC, Haver, UBS estimates, as at November 2020.
 3: Source: IQVIA, Jefferies Research, as at July 2020.

EV sales continue to take market share

Presenting a wide range of investment opportunities

EV sales continues to increase globally



- New entrants to the auto market**
 The new players are competing with traditional auto manufactures for a share of this growing pie.
- Wright’s Law reducing battery costs**
 Given batteries are the largest component cost, its reduction is critical to price parity with gas powered vehicles.
- China’s decarbonisation push is a key catalyst**
 As evidenced by their goal of carbon neutrality by 2060 and the focus on innovation and energy in the 14th Five-Year plan.
- Asia is leading the charge**
 From EV manufacturers to software and components. Asia has the advantage of the software and electrical engineering talent, as well as the tech supply chain.

Source: Busines Wire, as at 17 December 2020.



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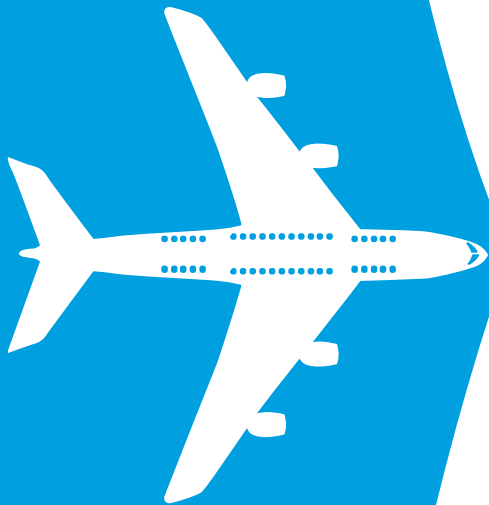
Section 3

Azul case study



Azul case study

Fundamental perspective



Competitive advantage

Focus on underserved markets with air travel underpenetrated in Brazil



A business within a business

Cargo division benefits from serving all of Brazil and utilizes the belly of the plane



The pandemic effect

A healthy balance sheet and a focus on domestic travel has strengthened their position

Azul case study

ESG perspective



Energy efficiency

A new fleet, a commitment to be NetZero and various environmentally focused projects



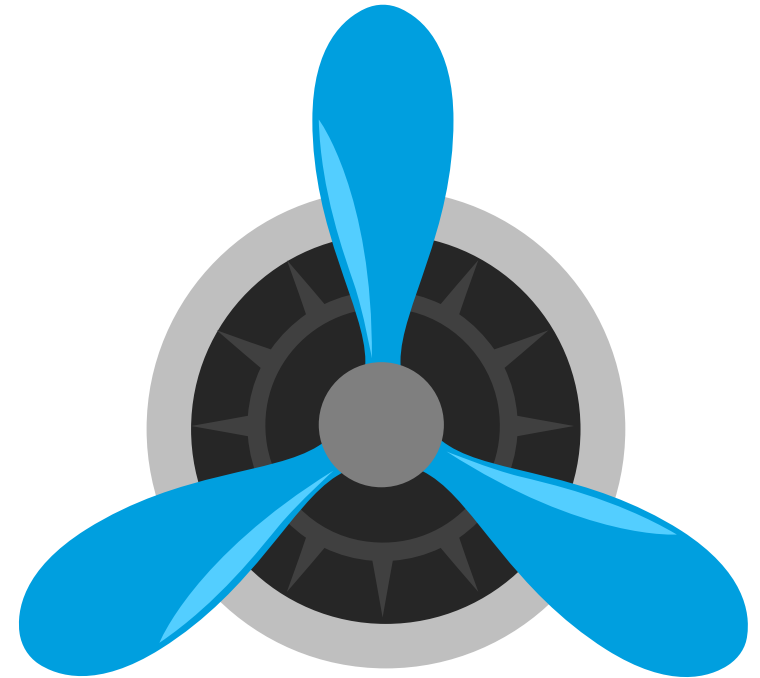
High quality governance

Strong and progressive management team, an 80% independent board and 88% gender pay equality



Not ESG rated

Currently not rated by ESG providers, but the company produces a comprehensive sustainability report





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Section 4

Strategy overview



Columbia Emerging Markets Opportunity Strategy Overview



We seek companies that are well-positioned to **sustain and accelerate profitable growth**

Stewards of capital



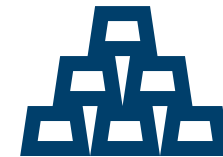
Create **upside and downside price targets** of all stocks within our investment universe

No unintended bets



A strong long-term track record, **consistently generating alpha** through stock selection

A history of competitive, risk-adjusted performance

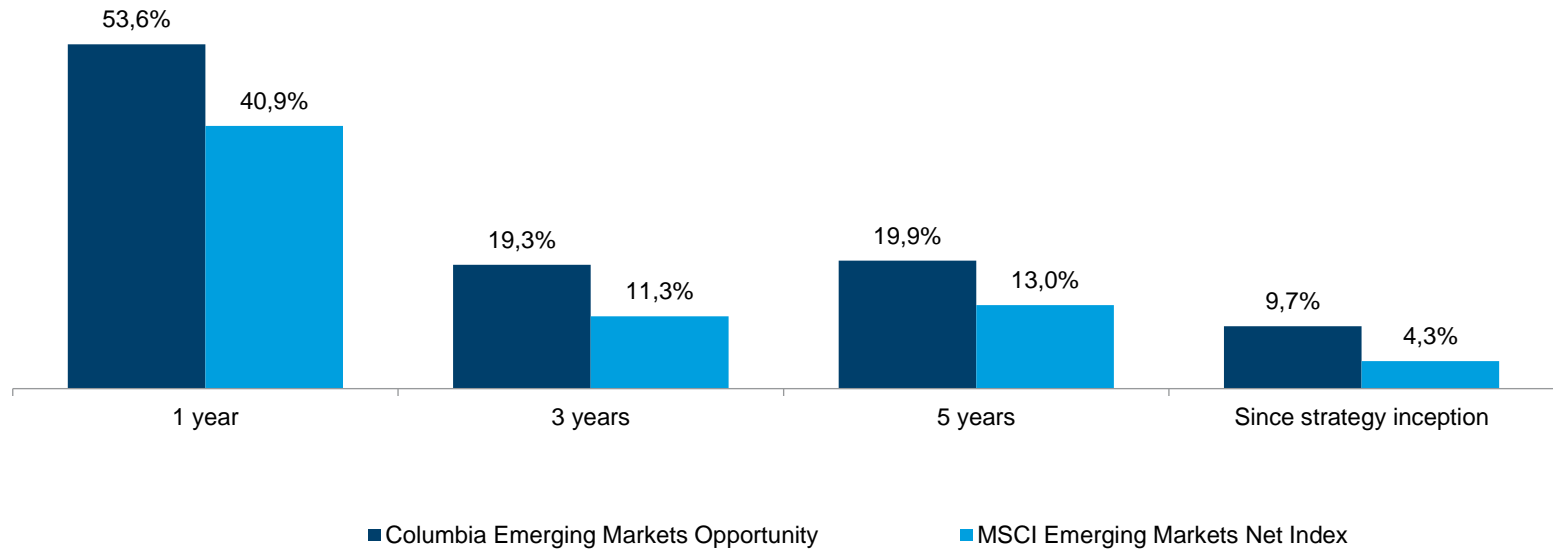


A proven track record generating **additional alpha in the lowest market cap**

True all-cap strategy

Columbia Emerging Markets Opportunity Strategy Performance

Since inception annualised gross performance versus index¹



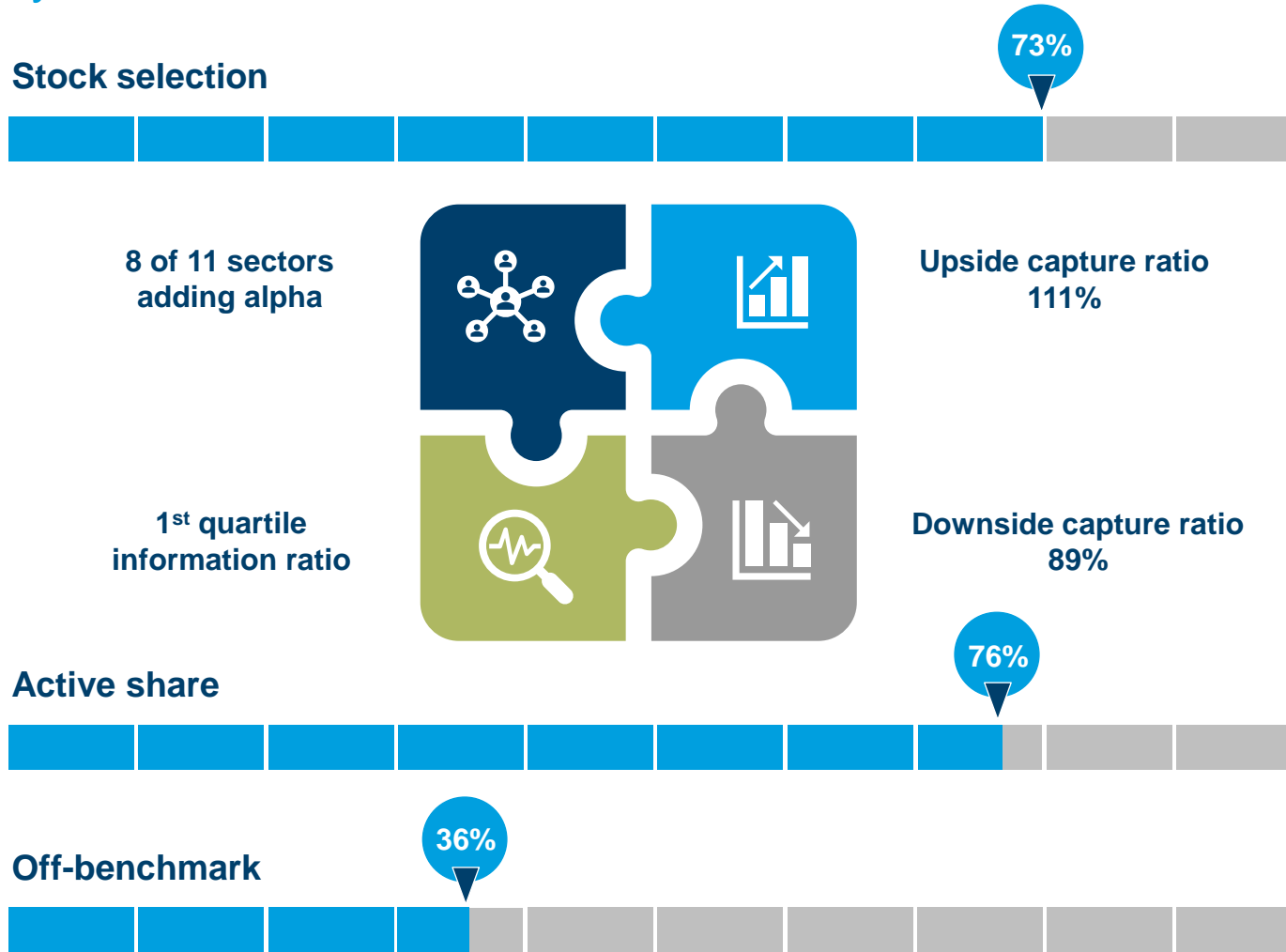
Relative performance	+12.7%	+8.0%	+6.9%	+5.4%
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Source: Columbia Threadneedle Investments and FactSet, as at 30 June 2021. All data is quoted gross in USD. Strategy inception 30 June 2011. Returns for less than one year are not annualized. The investment results represent historical gross performance with no deduction for investment management fees and assume reinvestment of distributions. Expenses that may include management fees will reduce individual returns. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. Please refer to the composite disclosure in the Appendix, which is an integral part of this presentation, for additional performance information.

Past performance is not a guide to future returns.

Columbia Emerging Markets Opportunity Strategy

Further analysis



Source: Columbia Threadneedle Investments and FactSet, as at 30 June 2020. All data refers to a representative account of the Columbia Emerging Markets Opportunity strategy. Stock selection refers to Brinson Attribution since inception. Sector attribution since inception. Information ratio since inception. Upside/downside figures calculated monthly since inception. Average monthly active share since inception. Average monthly off-benchmark weight since inception.



Depth and quality of the universe

The transformation of the Emerging Market universe is the most important reason to allocate



Opportunities across various themes

Many themes are still in their infancy creating massive opportunities for investors



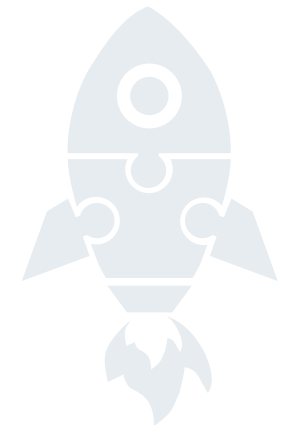
Azul case study

Combining fundamental and ESG analysis with a focus on Quality to drive long term returns



Strategy overview

A proven ability to generate consistent returns through bottom-up stock selection





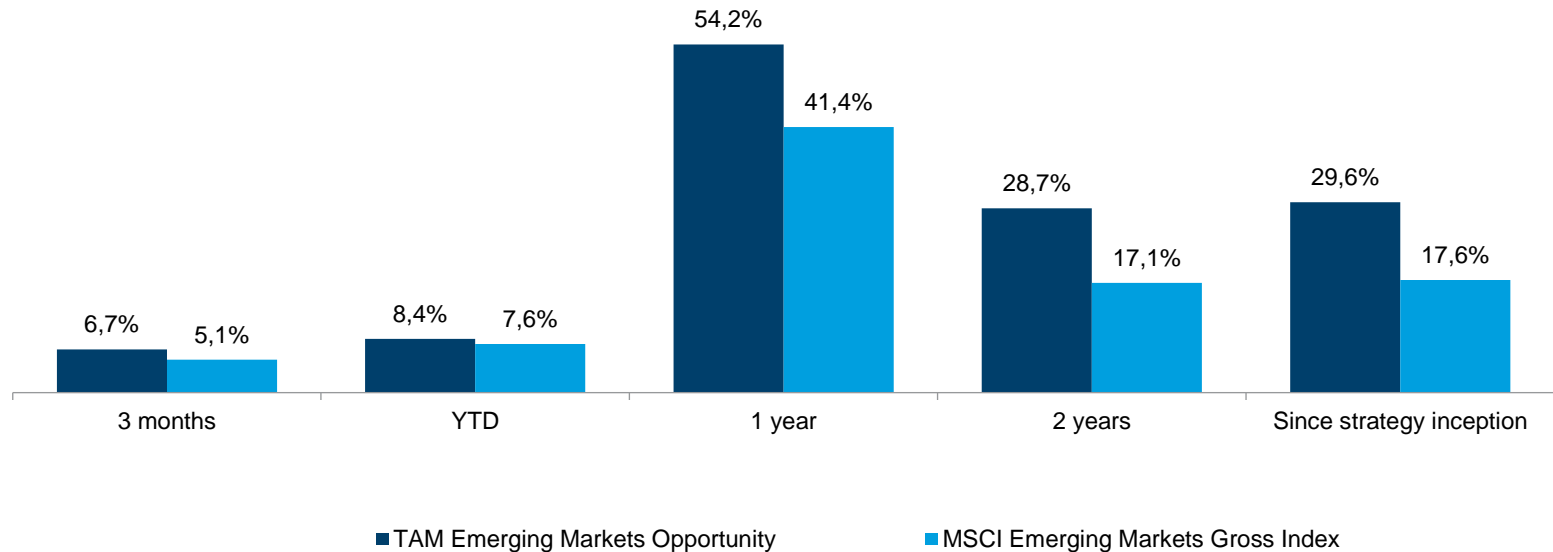
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Appendix



Threadneedle Emerging Markets Opportunity Strategy Performance

Since inception annualised gross performance versus index¹



Relative performance	+1.5%	+0.7%	+9.1%	+9.9%	+10.3%
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Source: Columbia Threadneedle Investments and FactSet, as at 30 June 2021. All data is quoted gross in USD. Strategy inception 31 October 2018. Returns for less than one year are not annualized. The investment results represent historical gross performance with no deduction for investment management fees and assume reinvestment of distributions. Expenses that may include management fees will reduce individual returns. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. Please refer to the composite disclosure in the Appendix, which is an integral part of this presentation, for additional performance information.

Past performance is not a guide to future returns.

Threadneedle Emerging Markets Opportunity Composite

GIPS Report

Columbia Threadneedle Investments EMEA APAC

Reporting Currency: USD

Statement of Performance Results

Calendar Year	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)	Composite 3-Yr St Dev (%)	Index 3-Yr St Dev (%)	Internal Dispersion (%)	Number of Portfolios	Total Composite Assets (mil.)	Total Firm Assets (bil.)
2020	36.60	35.40	18.69	N.A.	N.A.	N.A.	≤ 5	933.3	149.8
2019	32.97	31.81	18.88	N.A.	N.A.	N.A.	≤ 5	697.9	140.5
2018 *	1.51	1.36	1.42	N.A.	N.A.	N.A.	≤ 5	354.5	121.8

* * For the period 10/31/2018 through 12/31/2018.

Inception Date: 10/31/2018

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3. The Strategy aims to provide long-term capital appreciation by investing in companies which derive at least 75% of their revenues from emerging market countries. The Strategy's investment process emphasizes bottom-up stock selection with portfolios typically holding 70 to 90 emerging markets stocks. Derivative instruments may be used for efficient portfolio management and currency management. The primary use of derivatives is not designed to create a highly leveraged investment position. The composite was created October 31st, 2018.

4. The portfolio returns used in composites are calculated using daily authorised global close valuations with cash flows at start of the day. Composite returns are calculated by using underlying portfolio beginning of period weights and monthly returns. Periodic returns are geometrically linked to produce longer period returns. Gross of fee returns are presented before management and custodian fees but after the deduction of trading expenses. Returns are gross of withholding tax. Net of fee returns are calculated by deducting the representative fee from the monthly gross return. Policies for valuing investments, calculating performance, and preparing GIPS Reports, as well as the list of composite descriptions, list of pooled fund descriptions for limited distribution pooled funds, and the list of broad distribution pooled funds are available upon request.

Threadneedle Emerging Markets Opportunity Composite

GIPS Report

Columbia Threadneedle Investments EMEA APAC

Threadneedle Emerging Markets Opportunity Composite

5. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns represented within the composite for the full year. Dispersion is only shown in instances where there are six or more portfolios throughout the entire reporting period. The Standard Deviation will not be presented unless there is 36 months of monthly return data available.
6. The three year annualised ex-post standard deviation measures the variability of the gross-of-fees composite and benchmark returns over the preceding 36 month period.
7. The following fee schedule represents the current representative fee schedule for institutional clients seeking investment management services in the designated strategy: 0.90% on the first \$25 million; 0.70% on the next \$50 million; 0.60% on the next \$75 million; Negotiable over \$150 million. Gross of fee performance information does not reflect the deduction of management fees. The following statement demonstrates, with a hypothetical example, the compound effect fees have on investment return: If a portfolio's annual rate of return is 10% for 5 years and the annual management fee is 90 basis points, the gross total 5-year return would be 61.1% and the 5-year return net of fees would be 54.0%.
8. The MSCI Emerging Markets Index captures large and mid cap representation across 26 Emerging Markets countries. With 1,392 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Index returns reflect the reinvestment of dividends and other earnings and are not covered by the report of the independent verifiers.
9. Past performance is no guarantee of future results and there is the possibility of loss of value. There can be no assurance that an investment objective will be met or that return expectations will be achieved. Care should be used when comparing these results to those published by other investment advisers, other investment vehicles and unmanaged indices due to possible differences in calculation methods.

Columbia Emerging Markets Opportunity Composite

GIPS Report

Columbia Threadneedle Investments North America

Reporting Currency: USD

Statement of Performance Results

Calendar Year	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)	Composite 3-Yr St Dev (%)	Index 3-Yr St Dev (%)	Internal Dispersion (%)	Number of Portfolios	Total Composite Assets (\$ mil.)	Total Firm Assets (\$ bil.)
2020	36.10	34.91	18.31	22.11	19.60	N.A.	≤ 5	1,099	396
2019	32.68	31.52	18.42	15.23	14.17	N.A.	≤ 5	807	353
2018	-20.54	-21.27	-14.57	15.01	14.60	N.A.	≤ 5	444	320
2017	53.10	51.77	37.28	14.11	15.35	N.A.	≤ 5	50	364
2016	8.89	7.92	11.19	14.10	16.07	N.A.	≤ 5	41	333
2015	-5.07	-5.92	-14.92	13.11	14.06	N.A.	≤ 5	37	328
2014	0.35	-0.55	-2.19	14.18	15.00	N.A.	≤ 5	54	333
2013	-0.61	-1.50	-2.60	N.A.	N.A.	N.A.	≤ 5	95	321
2012	23.77	22.67	18.22	N.A.	N.A.	N.A.	≤ 5	209	304
2011 (IP)	-16.61	-17.00	-19.13	N.A.	N.A.	N.A.	≤ 5	157	298

* For the period 06/30/2011 through 12/31/2011.

Inception Date: 6/30/2011

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Columbia Emerging Markets Opportunity Composite

GIPS Report

Columbia Threadneedle Investments North America

Columbia Emerging Markets Opportunity Composite

3. The strategy aims to provide long-term capital appreciation by investing in equity securities located in emerging market countries. Emerging market countries are those that major international financial institutions, such as the World Bank, generally consider to be less economically mature than developed nations, such as the United States or most nations in Western Europe. The strategy's investment process emphasizes bottom-up stock selection with portfolios typically holding 70 to 90 emerging markets stocks. The benchmark is the MSCI Emerging Markets Index Net. The composite was created September 1, 2012.
4. The gross-of-fees returns are time-weighted rates of return net of commissions and other transaction costs. Net-of-fees returns are calculated by deducting from the monthly gross-of-fees composite return one-twelfth of the highest client fee (model fee) in effect for the respective period. Composite returns reflect the reinvestment of dividends and other earnings.
5. Internal dispersion is calculated using the equal-weighted standard deviation of the annual gross returns of those portfolios that were included in the Composite for the entire year. If the composite contains five or fewer accounts for the full year, a measure of dispersion is not statistically representative and is therefore not shown.
6. The three-year annualized standard deviation measures the variability of the gross-of-fees composite and benchmark returns over the preceding 36-month period. It is not required to be presented when a full three years of performance is not yet available.
7. Portfolios are valued and composite returns are calculated and stated in U.S. dollars. Returns are calculated net of non-reclaimable withholding taxes on dividends, interest, and capital gains. Policies for valuing investments, calculating performance, and preparing GIPS Reports, as well as the list of composite descriptions, list of pooled fund descriptions for limited distribution pooled funds, and the list of broad distribution pooled funds are available upon request.
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9. The benchmark is the MSCI Emerging Markets Index Net that is an unmanaged index based on shares prices of a select group of emerging market stocks that are available to global investors, assuming gross dividends are reinvested. 26 countries are included in this index. Index returns reflect the reinvestment of dividends and other earnings and are not covered by the report of the independent verifiers.
10. Past performance is no guarantee of future results and there is the possibility of loss of value. There can be no assurance that an investment objective will be met or that return expectations will be achieved. Care should be used when comparing these results to those published by other investment advisers, other investment vehicles and unmanaged indices due to possible differences in calculation methods. Registration with the SEC as an investment advisor does not imply a certain level of skill or training.

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