Q2 2023

Fee Analyzer Report

High Dividend Opportunities in Emerging Markets Equity



Executive Summary

This report used Confluence's Investment Metrics Fee Analyzer, the institutional industry's most comprehensive tool to analyze post-negotiated fees to compare the performance and fees from active Emerging Markets equity managers with high dividend yield portfolios to the broad peer group.

The analysis includes over 1,100 active manager post-negotiated fees from 76 asset managers from the Investment Metrics (IM) Emerging Markets Equity peer group.

Highlights

- Active Emerging Markets equity managers' relative performance has rebounded in 2023; the
 median portfolio in the IM Emerging Markets Large Cap peer group has outperformed the
 MSCI Emerging Markets Index by 2.1% year to date.
- Emerging Markets equity portfolios with above median dividend yields (>3%) offer even stronger relative performance, outperforming the benchmark by 3.8%.
- Over three years, emerging markets portfolios with above median dividend yields produced significantly stronger returns than peers, with lower risk and fees.

Emerging Markets Equity Performance

After a difficult 2022, during which the MSCI Emerging Markets Index returned -19.74%, emerging markets equity performance has rebounded in 2023. As Chart 1 highlights, the benchmark's return year to date is 5.1%. More importantly, active manager relative performance has also been strong in 2023, outperforming by more than 2% at the median level.

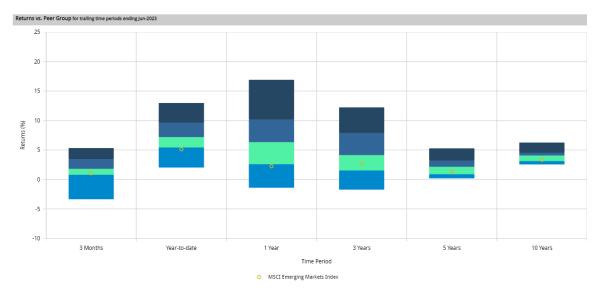


Chart 1: IM Emerging Markets Large Cap Equity Peer Group Performance. Source: Investment Metrics, a Confluence company

Emerging Markets Equity High Dividend Yield (>3%)

As our colleagues highlighted in their recent Q21H Factor Performance Report, emerging markets equity performance was driven by Value, Yield, and Quality during the first half of 2023. With this in mind, we screened the IM Emerging Markets Equity peer group for products with above-median dividend yields (>3%). As Chart 2 highlights, these portfolios have very strong absolute and relative performance, returning 8.93% at the median level, which is more than 3.8% above the benchmark year to date.

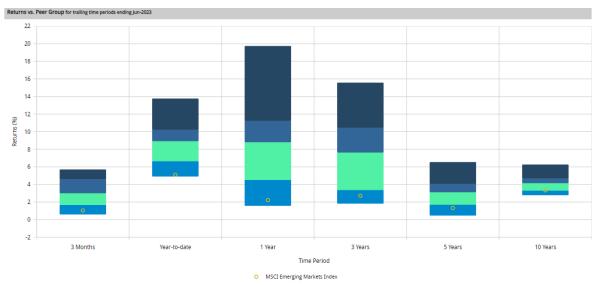


Chart 2: Emerging Markets Equity High Dividend Yield (>3%)
Source: Investment Metrics, a Confluence company

Emerging Markets Equity High Dividend Yield Risk vs. Return

What makes the emerging market's high dividend products compelling, beyond the lower fee, is their risk /return profile. Chart 3 compares the median 3-year standard deviation and return for the high dividend products versus the IM Emerging Markets Large Cap peer group. The higher dividend products have significantly higher returns (7.63% vs. 3.72%) with lower risk (standard deviation 18.2 vs. 18.5).

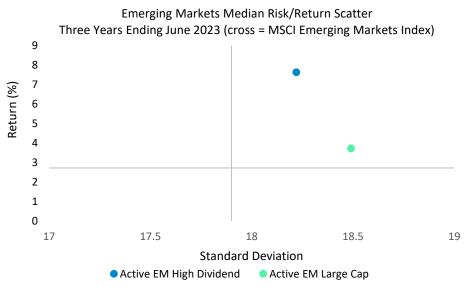


Chart 3: Risk vs. Return Scatter EM High Dividend vs. EM Large Cap Peer Group

Source: Investment Metrics, a Confluence company

In the last few years, emerging markets equity portfolios have faced tremendous headwinds, which have resulted in flows out (Chart 4) and downward pressure on fees. In Chart 5, we show the postnegotiated fee ranges for active emerging markets equity portfolios over time. Since 2020, we have seen the median fee come down more than 7% to 75 basis points as of Q2 2023. Included in the chart is the median fee for the high dividend yield products. As of Q2 2023, the median fee for the high dividend yield portfolios was 66.5 basis points, a 10% discount compared to peers.

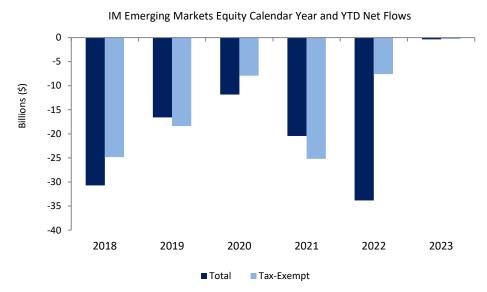


Chart 4: Global Emerging Markets Net Flows. Source: Investment Metrics, a Confluence company.

Emerging Markets Equity Fees

The appetite for emerging markets has faced tremendous headwinds resulting in flows out and downward pressure on fees (Chart 4). In Chart 3, we show the post-negotiated fee ranges for active emerging markets equity portfolios over time. Since 2020, we have seen the median fee come down more than 7% to 75 basis points as of Q2 2023. Included in the chart is the median fee for the high dividend yield products. As of Q2 2023, the median fee for the high dividend yield portfolios was 66.5 basis points, a 10% discount compared to peers.

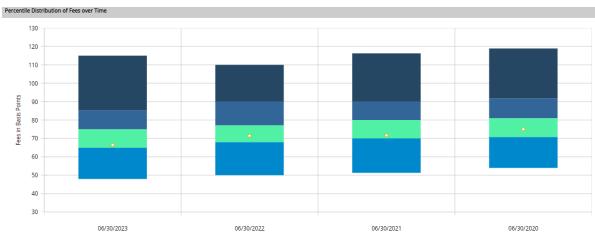


Chart 5: Active Emerging Markets Equity Fees, High Dividend Yield Median plotted.

Source: Investment Metrics, a Confluence company.

Investment Metrics Fee Analyzer

Investment Metrics' Fee Analyzer is the industry's leading source of post-negotiated manager fees. Fee Analyzer is an interactive tool used to benchmark post-negotiated manager fees across 70,000 observations and 65 investment styles. It compares negotiated fees (rather than list or published fees) for different plan types, mandate sizes, and asset classes. With Fee Analyzer's reliable fee data, asset allocators and managers gain competitive insights from benchmarking and evaluating fees vs. returns and risk—essential to manager selection, fee transparency, and pricing efficiency across the institutional investment market.

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Investment Metrics, a Confluence company, is a leading global provider of investment analytics, reporting, data, and research solutions that help institutional investors and advisors achieve better financial outcomes, grow assets, and retain clients with clear investment insights. Our solutions drive insights across 20K+ institutional asset pools, 28K+ funds, and 910K+ portfolios, representing \$14T+ in AUA. With over 400 clients across 30 countries and industry-leading solutions in institutional portfolio analytics and reporting, style factor and ESG analysis, competitor and peer analysis, and market and manager research, we bring insights, transparency, and competitive advantage to help institutional investors and advisors achieve better financial outcomes. For more information about Investment Metrics, a Confluence company, please visit <u>www.invmetrics.com</u>.

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