

How Do You Solve A Problem Like Korea



Defensive Investors in Emerging Markets
Value Investing Conference
April 19, 2023

Rondure Global Advisors

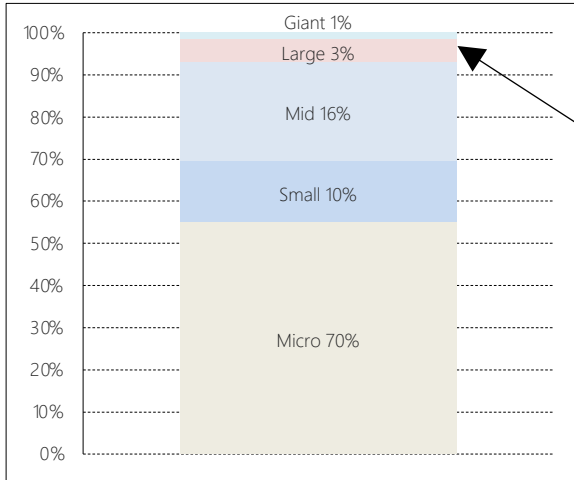
- Founded in 2016 by veteran international investor Laura Geritz
- Quality contrarian investing in small- and mid-cap international and emerging markets
- Team-based fundamental approach with a repeatable process
- Focus on inefficient markets where we believe we can add value
- Two equity mutual funds:
 - Rondure New World (RNWIX).
 - Rondure Overseas (ROSIX).
- One of the industry's few women-owned firms

Investment Philosophy

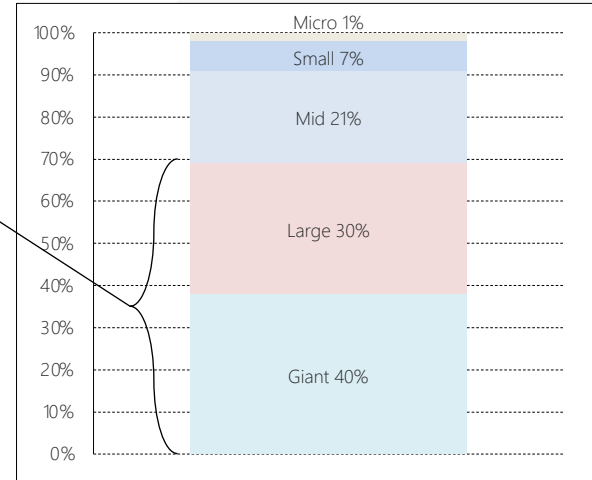
- **Active stock picking works best in inefficient markets**, which is why we specialize in international smaller and mid cap companies and emerging markets
- We take a **risk-conscious** approach—the goal is to win by not losing over cycles
- **Country diversification** helps generate risk-adjusted returns
- **High-quality companies** win over time, so we focus only on those
- Buying companies when they are out of favor provides a **margin of safety and downside protection**
- Holding onto quality companies **as they improve and re-rate** leads to portfolio compounding

The Opportunity Set

Global Public Equities by Mkt. Cap. (50,000 stocks)



Active Global Manager Allocations by Mkt. Cap. (\$12tn of AUM)

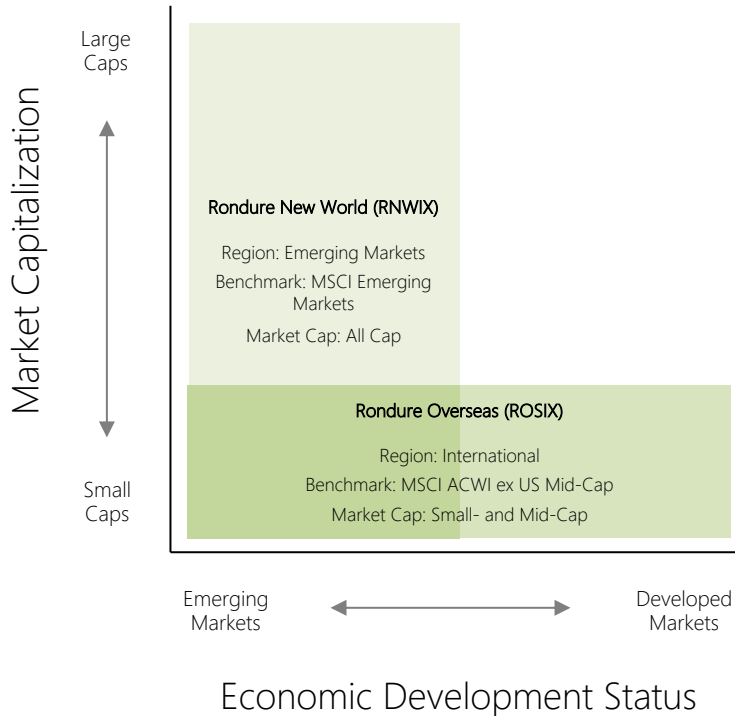


70% of assets are chasing only 4% of the opportunity

- There are hidden gems among foreign stocks, which are not widely held
- Our fundamental research process draws on proprietary investment tools to identify these companies early and own them before others do and quality tends to persist, leading to lower turnover

Investment Strategies

Our Objective Is to Find Companies Young and Hold Them As They Compound

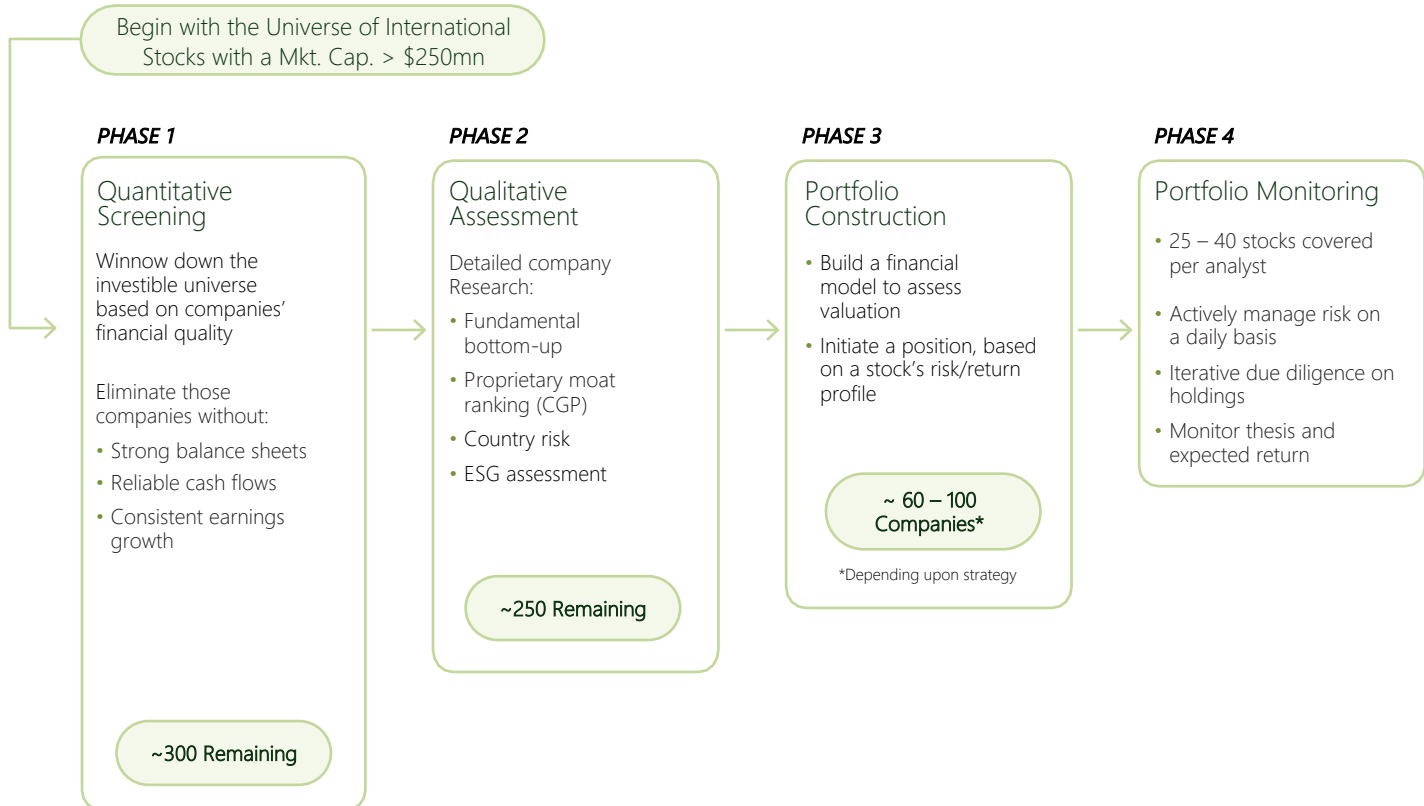


- Rondure Overseas acts as a feeder fund for Rondure New World
- Our best small-cap holdings in Overseas eventually migrate into our all-cap fund as they compound over time

*As of 12/31/2022

Investment Process

Rigorous Filtering Allows Us to Concentrate Our Attention on Great Companies



Phase 1

Quantitative Screening

Narrows the Opportunity Set to the Highest Quality International Companies

- Quantitative screening process analyzes up to 15 years of financial history for each company
- ~300 candidate companies survive Phase 1, giving us a manageable watchlist of high-quality companies

Quantitative markers of financial quality we screen for include:

.....

Strong Balance Sheet

- Net cash balance sheet preferred
- Non-cyclical companies or cyclicals with little-to-no debt
- Not debt-accruing to fund dividends or share buybacks

Reliable Cash Flow Growth

- Abundant free cash flow
- Cash flow / net income > 1
- Negative working capital cycle

Steady Income Growth

- High gross margins
- Consistent earnings growth
- Free cash flow returned to investors through dividends or buybacks

Qualitative Assessment

Company Competitive Moats Are Scored 0 - 9 Using Our Unique CGP Framework

CLUB

Operates in markets tough for others to penetrate

.....

What forms can Club businesses take?

- Low-cost leaders
- Asset monopolists
- Incumbents in relationship-intensive industries
- Incumbents in capital-intensive industries
- Efficient scale players

GLUE

Benefits from loyal or captive customers

.....

What forms can Glue businesses take?

- Providers of must-have products without good substitutes
- Providers of products with high brand loyalty
- Providers of products where a customer can't easily switch to a competitor

PLATFORM

Controls a valuable network

.....

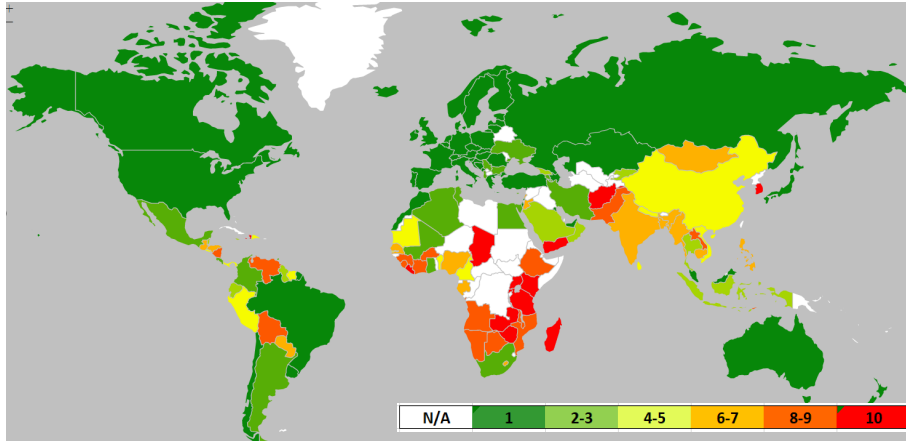
What forms can Platform businesses take?

- Communications networks
- Marketplaces
- Custom manufacturers
- Distribution and logistic networks
- Brand, product, and intellectual property portfolios

Phase 2

Country Risk & Opportunity Framework

The Country Effect Matters for Compounding Stock Returns



Sample Rondure World Heat Map

Example: Food Availability Scores by Country

(By Decile, 2022)

Source: United Nations Sustainable Development Goals

We Score a Country on 4 Factors

Credit
Geography
Politics
People

Our ESG Efforts

- Push companies on data availability
- Measure them versus their history and peers
- Engage in voting and dialogue

Phase 2

Country Matters

“Nearly every time I strayed from the herd, I've made a lot of money. Wandering away from the action is the way to find the new action.” -Jim Rogers

- We are “bottom up” stock pickers but we want to be aware of the pendulum in each country: the risk and opportunity
- The country impact is big, and if you believe in winning by not losing then attempting to follow some guideposts might help (there is no crystal ball)
- There are a few places where the pendulum swings double time (China, Korea, Taiwan)
- There are a few places, where the nature of the index, has much to do with country performance (old economy, new economy, dollar pegged, export economy)
- The index is concentrated. A few calls makes or breaks alpha generation in a year, namely to under or overweight China, South Korea, and Taiwan. India has now become part of the big weights in EM too.
- But a big part of this goes to Graham’s overcoming panic, going against the herd when it makes sense to do so, and controlling your emotions to maximize everything we believe will win in the long run
- Country is a part of the puzzle of minimizing losses to maximize sustainable returns

Phase 2

Country Matters

Watch the pendulum (concentrated index but country swings give shots at stocks)

Summary			
Benchmark	Default (Mxef)		
Start Date	5/31/2017		
End Date	3/31/2023		
Currency	USD		
Method	MAC		
	66.1%		96%
Attribution Summary (Grid)			
	Avg % Wt	Total Return	Contribution to
	Bench	Bench	Bench
1651	100.00	17.45	17.45
China	30.18	10.87	4.09
South Korea	13.01	8.20	0.99
Taiwan	12.83	104.11	8.47
India	10.03	45.13	3.21
Brazil	6.02	12.16	1.01
South Africa	4.65	-0.09	-0.14
Hong Kong	3.29	-23.23	-0.55
Russia	2.79	-39.80	-0.09
Mexico	2.40	34.58	0.52
Thailand	2.17	13.77	0.29
Saudi Arabia	2.06	25.12	0.52
Malaysia	1.85	-10.67	-0.20
Indonesia	1.82	16.14	0.15
Poland	0.91	-31.24	-0.23
Philippines	0.89	-15.86	-0.17
Qatar	0.85	20.06	0.09
United Arab Emirat	0.81	24.02	0.02
Chile	0.80	-11.84	-0.15
Turkey	0.55	-17.74	-0.23
Colombia	0.29	-28.90	-0.09
Kuwait	0.28	40.40	0.19
Hungary	0.26	-4.50	0.01
Greece	0.25	-8.34	-0.04
Peru	0.24	-10.20	0.00
Czech Republic	0.23	120.15	0.11
United States	0.15	44.43	0.04
Egypt	0.11	-25.56	-0.03
Singapore	0.08	-0.20	0.00
Cyprus	0.06	-15.52	-0.07
Netherlands	0.05	-32.77	-0.03
Uruguay	0.04	185.42	0.11
Luxembourg	0.03	16.97	0.00
Pakistan	0.03	-63.84	-0.07
Argentina	0.03	-78.20	-0.17
United Kingdom	0.02	2.32	0.00
Australia	0.01	-86.59	-0.04
Cayman Islands	0.01	-52.68	-0.05
Romania	0.00	11.53	0.01
Spain	0.00	-43.05	-0.01
Belatum	0.00	-40.64	-0.01
Malta	0.00	-52.68	-0.03

Summary			
Benchmark	Default (Mxef)		
Start Date	5/31/2017		
End Date	12/31/2020		
Currency	USD		
Method	MAC		
	63%		94%
Detail			
		Wt	Return
	Bench	Bench	Bench
1651	100.00	42.20	42.20
China	29.40	73.55	21.47
Taiwan	11.77	97.29	9.55
South Korea	13.38	52.29	6.05
India	8.62	32.15	2.70
Russia	3.50	59.45	2.02
Brazil	6.67	21.86	1.58
Hong Kong	3.97	8.91	0.32
Thailand	2.35	12.27	0.24
Qatar	0.83	12.74	0.14
Uruguay	0.03	134.37	0.09
Cyprus	0.04	158.03	0.07
Hungary	0.29	20.12	0.05
Malaysia	2.13	4.98	0.05
Singapore	0.09	74.23	0.04
Peru	0.30	10.98	0.03
United States	0.08	46.77	0.03
Czech Republic	0.15	19.19	0.03
Kuwait	0.01	1.33	0.01
Romania	0.00	11.53	0.01
Luxembourg	0.03	3.31	0.00
United Kingdom	0.03	-3.84	0.00
Belgium	0.00	-40.64	-0.01
Spain	0.00	-43.05	-0.01
Egypt	0.13	-7.16	-0.01
Saudi Arabia	1.07	-4.13	-0.02
Malta	0.01	-52.68	-0.03
Australia	0.01	-69.95	-0.03
Philippines	1.00	-1.82	-0.04
Colombia	0.37	-0.23	-0.04
United Arab Emirates	0.65	-4.79	-0.04
Netherlands	0.06	-39.35	-0.04
Pakistan	0.05	-54.68	-0.08
Indonesia	1.96	1.89	-0.09
Poland	1.06	-12.90	-0.12
Greece	0.26	-27.14	-0.12
Argentina	0.04	-69.45	-0.18
Chile	0.95	-19.91	-0.23
South Africa	5.39	-0.57	-0.27
Turkey	0.67	-34.39	-0.40
Mexico	2.62	-7.79	-0.49

Phase 2

Country Matters

Watch the pendulum (countries often behave like sectors))

Summary				
	Benchmark	Default (MXEF)		
	Start Date	12/31/2020		
	End Date	10/25/2022		
	Currency	USD		
	Method	MAC		
		71%	92%	
Detail				
		wa	% Wgt	Return
		Bench	Bench	Bench
1651		100.00	-30.24	-30.24
	China	31.90	-54.08	-19.62
	Taiwan	14.58	-24.37	-3.72
	South Korea	12.56	-42.52	-5.57
	India	11.87	15.44	1.08
	Brazil	4.92	-1.26	-0.01
	Saudi Arabia	3.56	49.50	0.94
	South Africa	3.46	-13.52	-0.40
	Hong Kong	2.21	-43.06	-0.99
	Russia	2.06	-62.24	-1.48
	Mexico	1.97	18.74	0.31
	Thailand	1.79	-11.29	-0.20
	Indonesia	1.53	10.18	0.13
	Malaysia	1.40	-21.38	-0.29
	United Arab Emirates	0.99	46.28	0.17
	Qatar	0.85	22.83	0.10
	Philippines	0.70	-26.76	-0.20
	Poland	0.68	-41.21	-0.26
	Kuwait	0.65	41.52	0.15
	Chile	0.49	-1.80	-0.01
	Turkey	0.29	6.56	0.03
	United States	0.24	-27.68	-0.06
	Hungary	0.21	-35.55	-0.06
	Greece	0.19	-4.91	-0.02
	Colombia	0.17	-30.64	-0.05
	Peru	0.15	-18.37	-0.02
	Czech Republic	0.13	27.29	0.02
	Cyprus	0.11	-67.26	-0.10
	Egypt	0.08	-26.38	-0.02
	Singapore	0.06	-52.40	-0.03
	Uruguay	0.06	21.78	0.02
	Netherlands	0.04	-11.11	0.00
	Luxembourg	0.04	-12.50	0.00
	Cayman Islands	0.03	-71.51	-0.05
	Australia	0.01	-64.20	-0.01
	Argentina	0.01	-28.66	-0.01
	Pakistan	0.01	-20.22	0.00

Summary				
	Benchmark	Default (MXEF)		
	Start Date	10/25/2022		
	End Date	3/31/2023		
	Currency	USD		
	Method	MAC		
		70%	91%	
Attribution Summary (Grid)				
		Avg % Wgt	Return	Return to Reti
		Bench	Bench	Bench
1651		100.00	18.42	18.42
	China	29.44	39.13	10.05
	Taiwan	14.30	36.93	4.67
	India	14.05	-4.86	-0.62
	South Korea	11.79	23.61	2.72
	Brazil	5.23	-6.79	-0.41
	Saudi Arabia	4.08	-12.70	-0.68
	South Africa	3.55	16.19	0.62
	Mexico	2.49	22.92	0.57
	Thailand	2.15	14.38	0.33
	Hong Kong	2.10	23.81	0.45
	Indonesia	1.92	3.45	0.07
	Malaysia	1.51	8.22	0.13
	United Arab Emirat	1.33	-10.96	-0.16
	Qatar	1.01	-13.30	-0.16
	Kuwait	0.94	-2.09	-0.02
	Philippines	0.74	17.01	0.13
	Poland	0.68	34.29	0.21
	Turkey	0.59	17.68	0.08
	Chile	0.57	12.09	0.07
	Greece	0.33	32.30	0.09
	United States	0.29	36.07	0.09
	Hungary	0.19	23.35	0.04
	Peru	0.18	-0.88	0.00
	Czech Republic	0.15	45.11	0.06
	Colombia	0.12	2.73	0.01
	Egypt	0.08	8.91	0.01
	Singapore	0.05	21.07	0.01
	Luxembourg	0.04	29.40	0.01
	Netherlands	0.04	24.71	0.01
	Cayman Islands	0.03	66.08	0.02
	United Kingdom	0.02	6.41	0.00
	Australia	0.00	24.63	0.00

Phase 2

Country Matters

Taiwan the clear stand out since inception



Phase 2

Country Matters

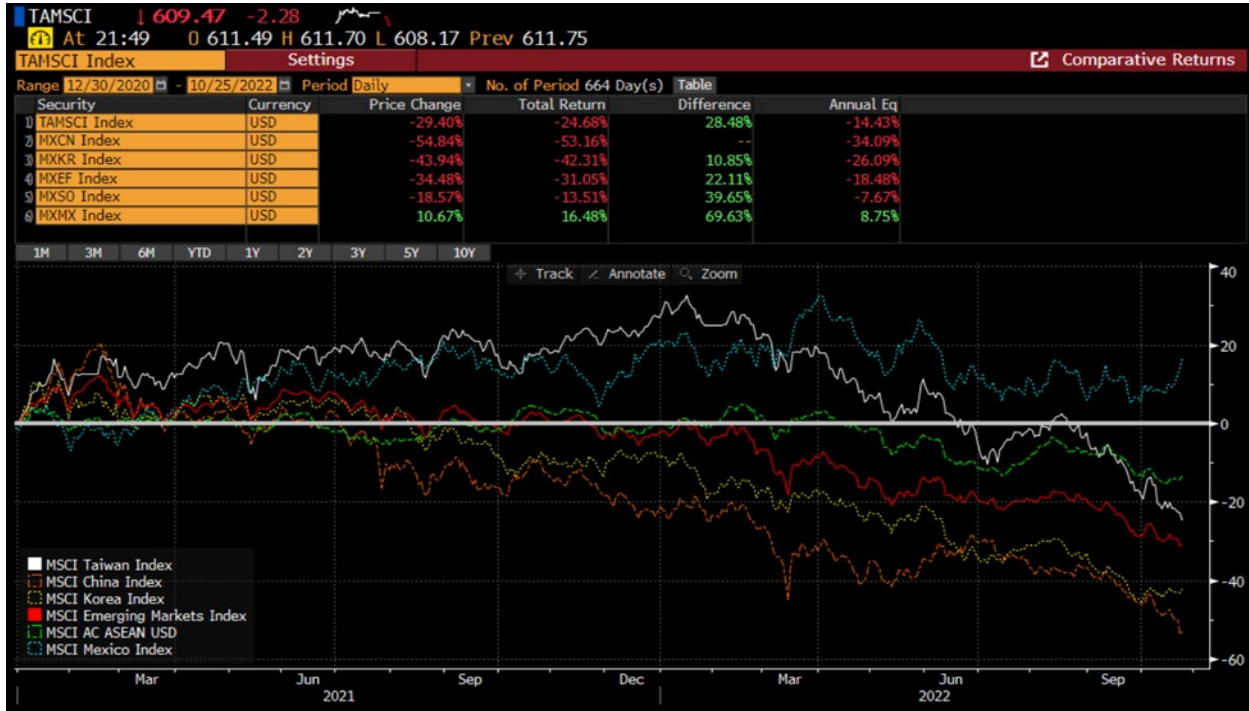
The bull market-the beta (pendulum leaving behind some countries)



Phase 2

Country Matters

The bear market beta pendulum (is this your shot at stocks in these countries?)



Phase 2

Country Matters

Back to bull : Has the pendulum swung too far already?



Phase 2

Country Matters

Lessons From Above

- Mind the pendulum (heed the opportunities and red flags)
- Use CGP2 (the country risk and opportunity framework to think about structural opportunity)-where can we buy and hold. Where are the red flags?
- Diversify (we don't have a perfect crystal ball, so diversification for loss management)
- Country examples (geography matters-Mexico, India, Russia/Ukraine)
- Credit cycle matters (China contracting, western world).
- Politics = pendulum on double time. Brazil. Wonderful geography. High beta. Politics gets in the way.
- Mexico (lucky nation, old economy, inexpensive boring companies). Multishoring, nearshoring.
- India (quality at a price but defensive businesses). Geography. Multishoring, friendshoring.
- Taiwan (lots of exporters tied to the Western money cycle) but top down the stocks don't have a country!—ESG data. Great companies. But risk is top down.
- South Korea. Top down. Fairly solid geography. Bottom up. Governance is an issue.

Portfolio Construction

Model the Expected Return

- Estimate the company's future earnings power
- Calculate the expected return
- Assess stock's valuation relative to stock's its own history, its peers and the broader market

Weigh Portfolio Accretion

- Aim is to continually lower risk and increase return of the portfolio
- Assess whether stock is accretive to the portfolio with respect to quality, value, and/or growth

Size the Position

- Determined by a stock's quality, value and growth traits
- Typically, 0.5%, 1.0%, 2.0%, 3.0% weights

Sample 5-Year Derived Expected Returns EV/EBITDA and P/E Multiples

EV/EBITDA		P/E	
EV/EBITDA	18x	P/E	30x
EBITDA	\$61,455	EPS	\$3.70
Expected Price	\$110	Expected Price	\$111
Current Price	\$68	Current Price	\$68
CAGR	10.2%	CAGR	10.4%
Dividend Yield	2.6%	Dividend Yield	2.6%
Estimated Return	12.8%	Estimated Return	13.0%

Phase 3

QVG Framework

3 stock-specific variables determine its weight in the portfolio:

- Business Quality (Q)
- Financial Valuation (V)
- Long-Term Sustainable Growth Rate (G)

We refer to this as our *QVG Framework*

How do we utilize the framework?

- To size positions
- To manage risk
- To inform our buy and sell discipline

Outstanding Quality Company

	Buy	Buy	Buy
+ Value -	Hold	Buy	Buy
	Sell	Hold	Buy

- Long-Term Growth +

Great Quality Company

	Hold	Buy	Buy
+ Value -	Sell	Hold	Buy
	Sell	Sell	Hold

- Long-Term Growth +

Good Quality Company

	Sell	Hold	Buy
+ Value -	Sell	Sell	Hold
	Sell	Sell	Sell

- Long-Term Growth +

Risk Management

Three Pillars of Safety for Mitigating Downside Risk

ONE

High-Quality Companies

- Strong balance sheet
- Reliable cash flow
- Consistent earnings growth
- High returns on capital
- Wide moat (sustainable competitive advantage)

TWO

Valuation Discipline

- Don't Overpay
- Buy quality or growth at a reasonable price
- Dividends and buybacks are a component of total return-not just growth
- Dividends funded by cash flows and cash can offer a lower risk source of return

THREE

Diversification

- Diversified portfolio of 60-100 stocks
- Broad country and currency exposure
- Countries as sectors
- QVG-based position sizing

Sell Discipline

- Breakdown in investment thesis-this is a less common reason to sell as we pride ourselves on a strong front engine
- Expected return compresses in our proprietary models
- Better relative opportunity elsewhere
- For tax efficiency reasons where applicable (short-term losses can be valuable)
- Fantastic front engine and a long horizon that should minimize turnover, in our view



Appendix

The CGP² Framework – How We Measure Country Risk



CGP Squared is our proprietary framework for analyzing a country's attractiveness as an investment destination.

It measures the suitability of a country's landscape for fostering the compounding of private capital over many years.

The CGP² Framework – How We Measure Country Risk

C *Credit* *Credit lays the foundation for sustainable economic growth*

G *Geography* *A nation's physical setting shapes its economic destiny*

P *Politics* *The traditions and institutions by which authority is exercised*

P *People* *Human capital is both the driver and outcome of a nation's economic development*

The CGP² Framework

C

Credit

Credit lays the foundation for sustainable economic growth

We rate a country's credit environment based on a composite of 4 metrics:

<i>Unit of Analysis</i>	<i>Definition</i>	<i>Metrics</i>
Country	Government spending, debt, and public obligations	Sovereign credit ratings
Corporate	Company-level debt burden	Balance sheet measures
Consumer	Household debt burden	Household debt to income
Currency	Currency regime and denomination of debt obligations	Monetary autonomy & reserve currency status

The CGP² Framework

G *Geography* *A nation's physical setting shapes its economic destiny*

Four aspects of a country's geography are linked most closely to its development status. While none of them is indispensable, the more a country has, the better its odds of economic growth.

	<i>Attribute</i>	<i>Why does it matter?</i>
1	Proximity to other highly developed countries	Access to valuable trade partners & innovation clusters
2	Coastlines and navigable rivers	Act as a form of natural infrastructure
3	Warm <u>deepwater</u> ports	Lay the foundation for asset-intensive long-distance trade
4	Agricultural fertility	Arable land is the basis for human life

The CGP² Framework

P

Politics

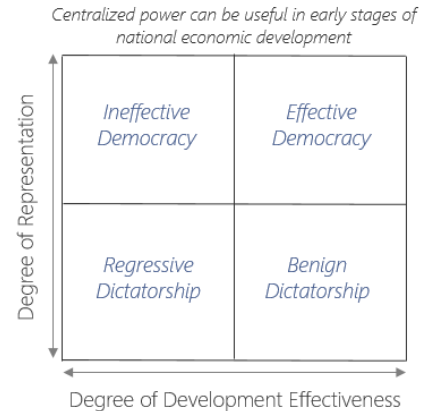
The traditions and institutions by which authority is exercised

We score a country's political health based on the World Bank's 6 Worldwide Governance Indicators (WGIs). The suitability of a country's political regime to facilitating economic growth depends in part on its development status—there is no one size that fits all.

Our 6 Indicators

Rule of Law	Political Stability and Absence of Violence
Control of Corruption	Government Effectiveness
Regulatory Quality	Voice and Accountability

Each of these 6 indicators is based on over 30 individual data sources provided by a variety of public and private organizations and surveys



The CGP² Framework

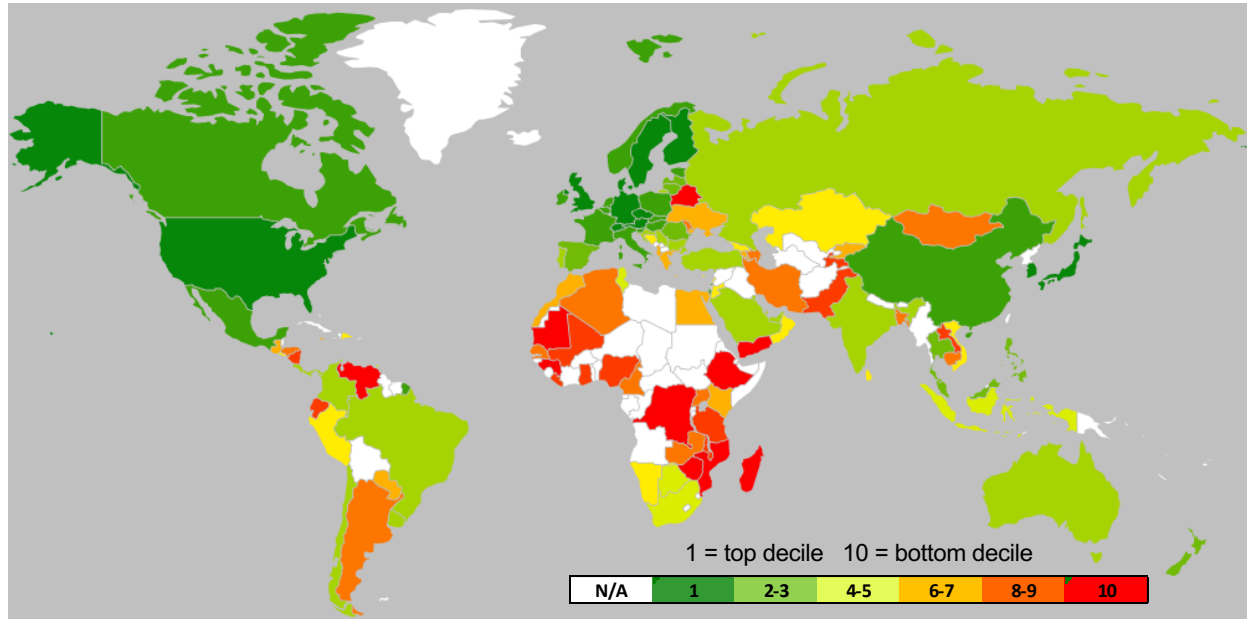
P *People*

Human capital is both the driver and outcome of a nation's economic development

Human welfare is the ultimate goal of sustainable investing. We measure the well-being of a country's population along 7 lines, spanning human rights, socioeconomics, and public health.

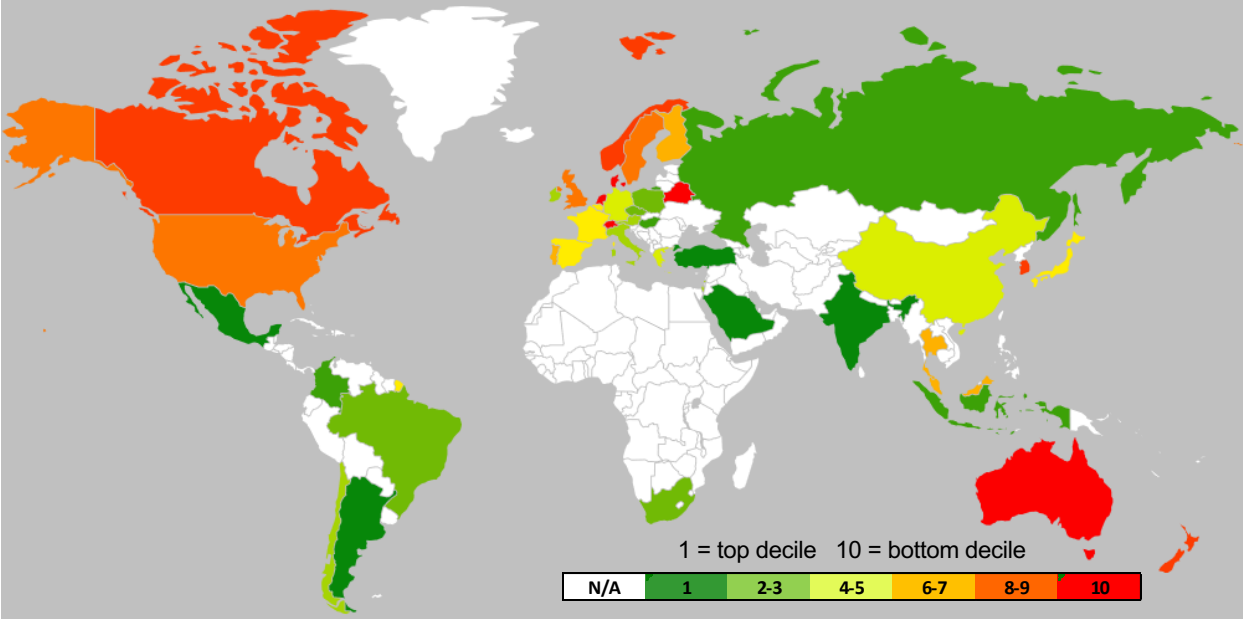
<i>Attribute</i>	<i>Rationale for Inclusion</i>
Demography	Shapes employment and consumption trends
Wealth Division	Threatens social cohesion and stability
Social Mobility	Enables an economic meritocracy
Gender Equality	Enhances productivity, meritocracy and rule of law
Public Health	Creates a setting for human welfare and economic growth
Education Levels	Increases labor productivity and enables a functional democracy
Environmental Intensity	Facilitates public health and lasting economic development

Global View - Sovereign Credit

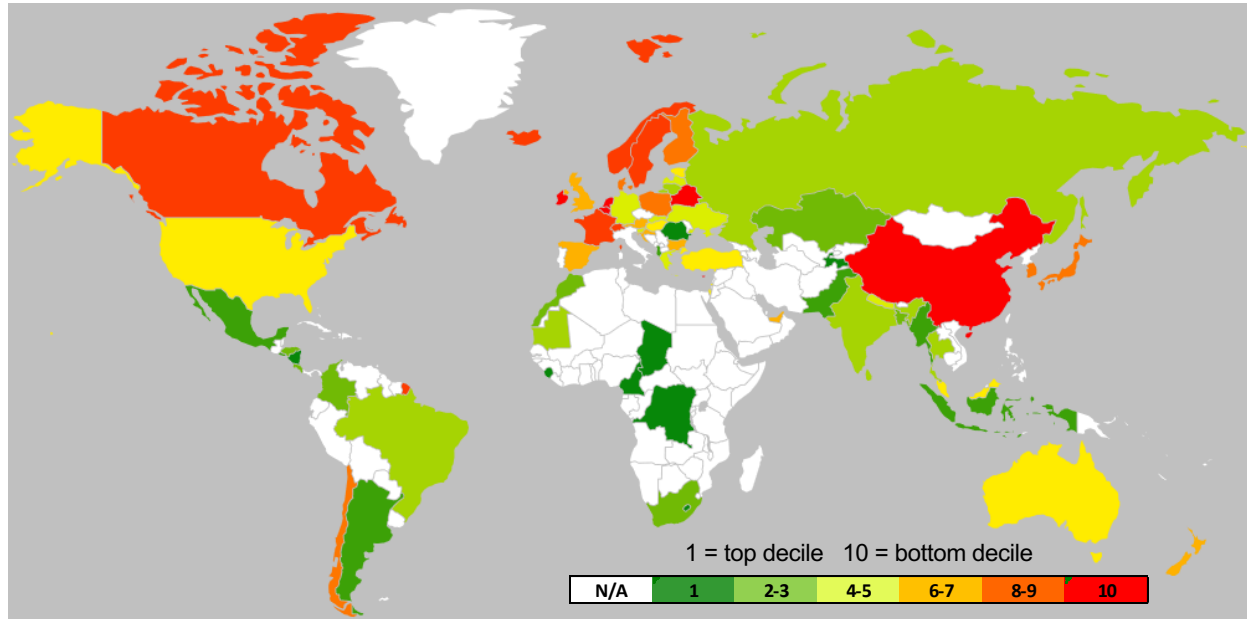


Country decile rankings based on sovereign credit scores and degree of national economic complexity

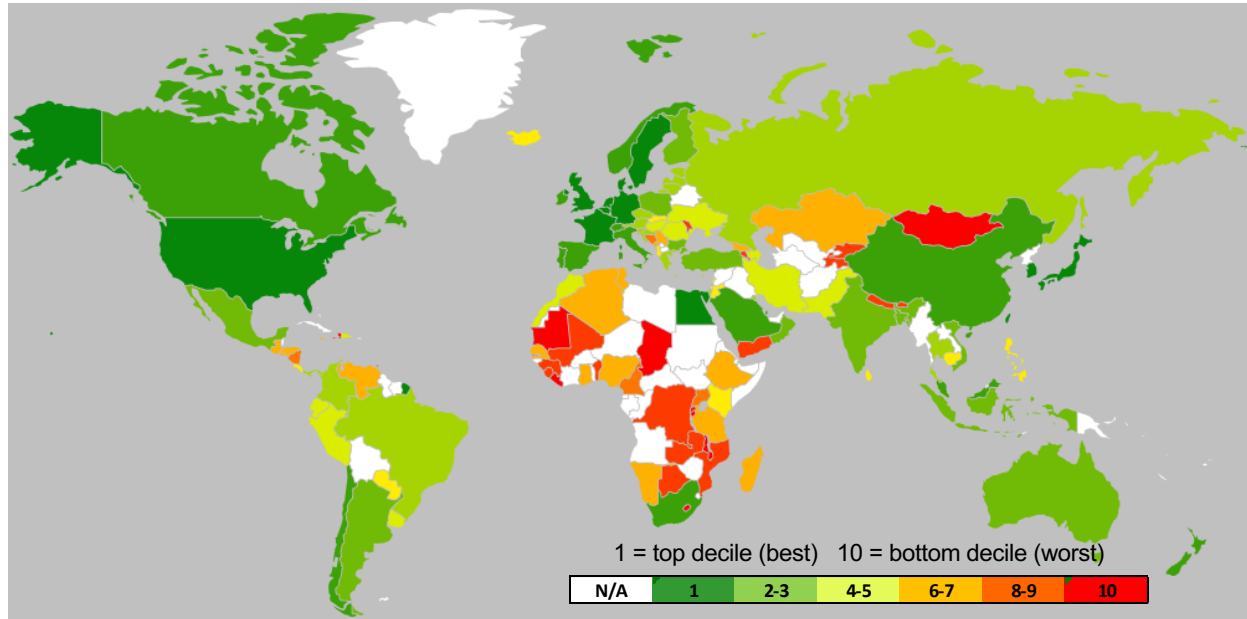
Global View – Household Debt



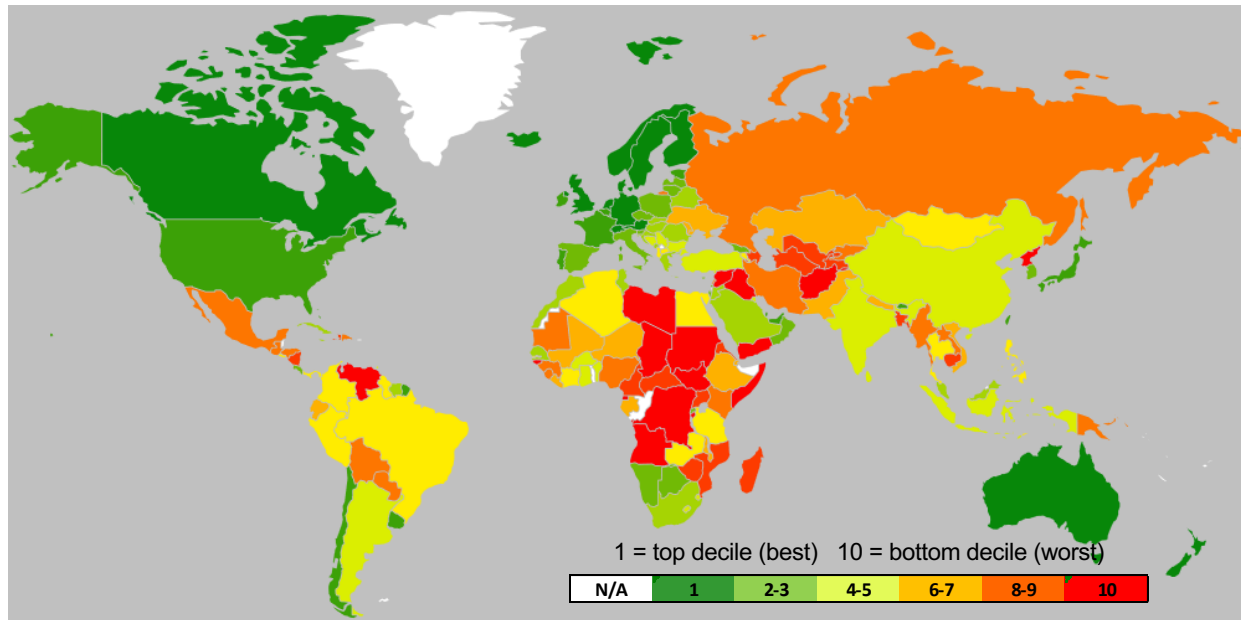
Global View – Corporate Credit



Global View – Geography



Global View – Politics



People - Geographic

Approach to ESG

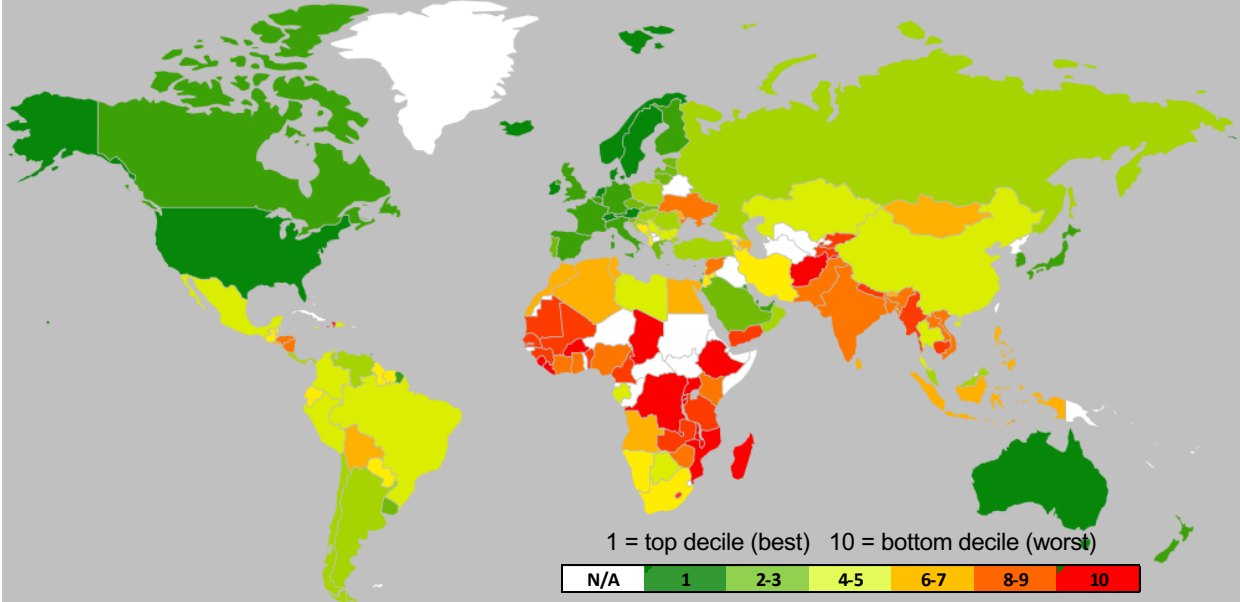
Our approach to ESG has three stages: Understand, Apply, and Engage. These phases are iterative and ongoing as our relationship with portfolio companies deepens over time.

Understand: We seek first to understand a country and its people on their own terms. We avail ourselves of the best data we can in an attempt to understand the rapidly evolving international landscape. We read constantly. Given the complexities of national cultures, we also try to remain open to being instructed, including by our portfolio companies.

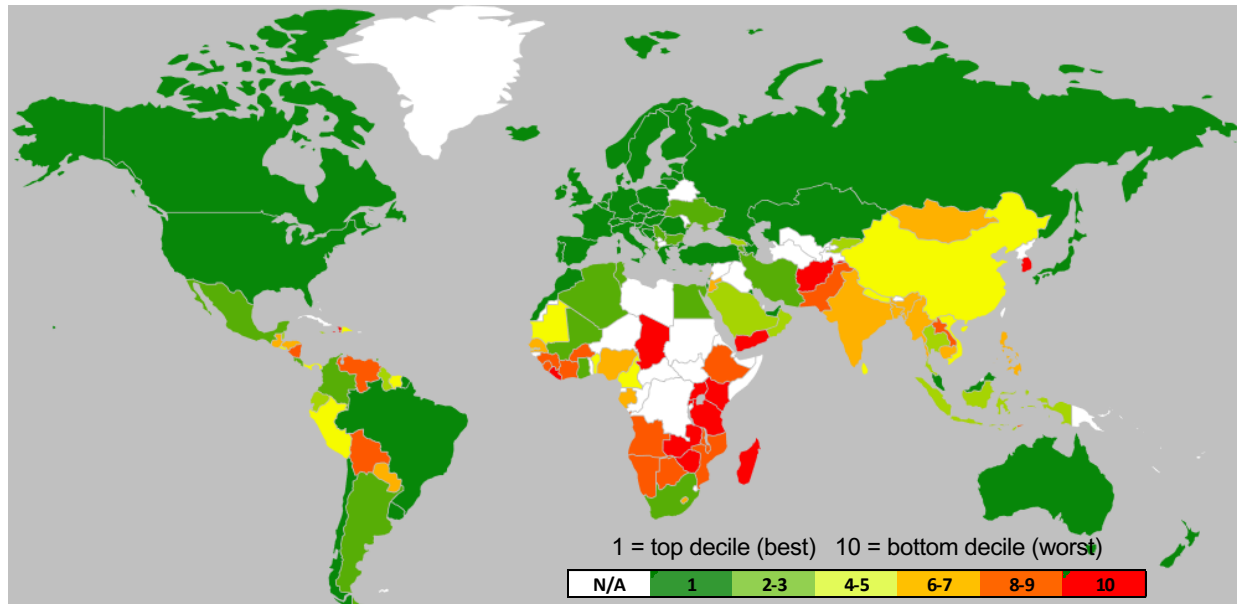
Apply: We use our research into country-level conditions to identify the ESG-related issues most relevant to a company. We want our dialogue to be clinical. Our goal is to set the agenda with local management teams based on the right issues, whether they be problems like access to clean drinking water, corporate disclosure, human rights, or many others.

Engage: We discuss ESG issues on a regular basis with the companies with whom we interact. This happens in person (typically onsite at the company's offices), at industry conferences, by phone, and over email. The purpose of interacting with management teams is 1) to inform our investment decision-making and 2) to create positive change within the company.

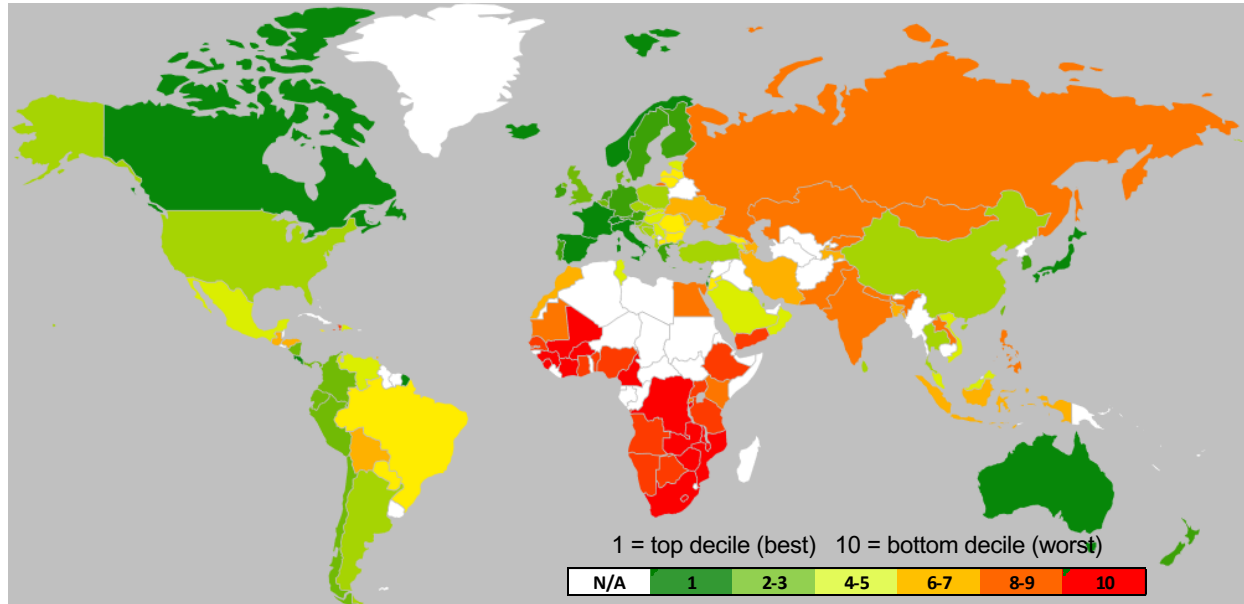
People – No Poverty



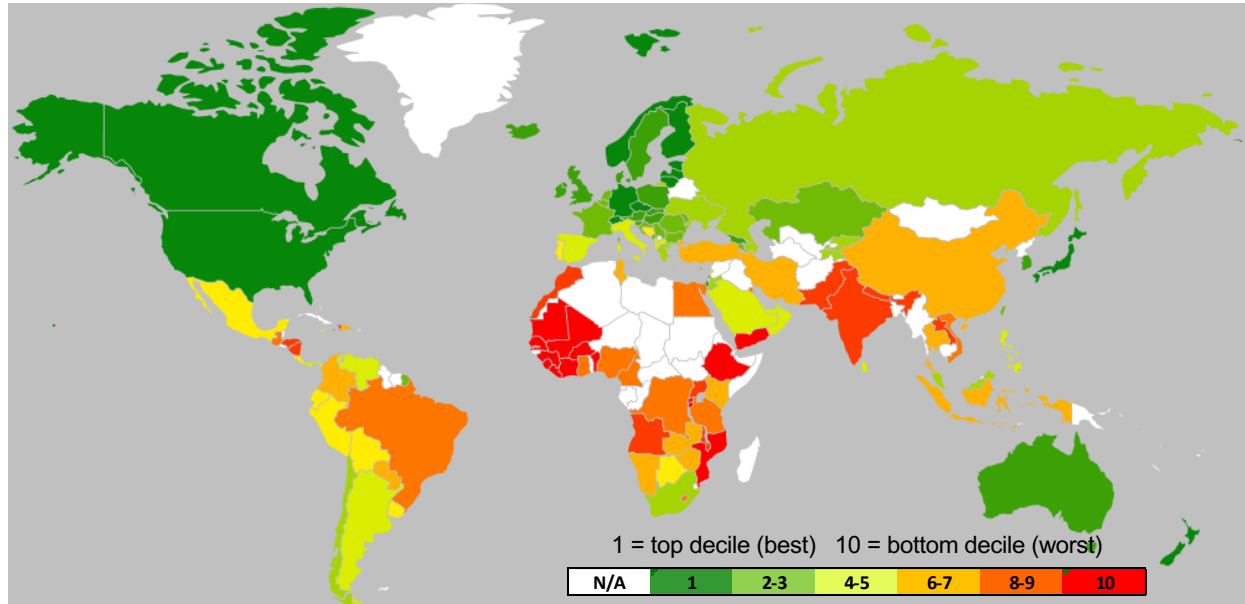
People – Zero Hunger



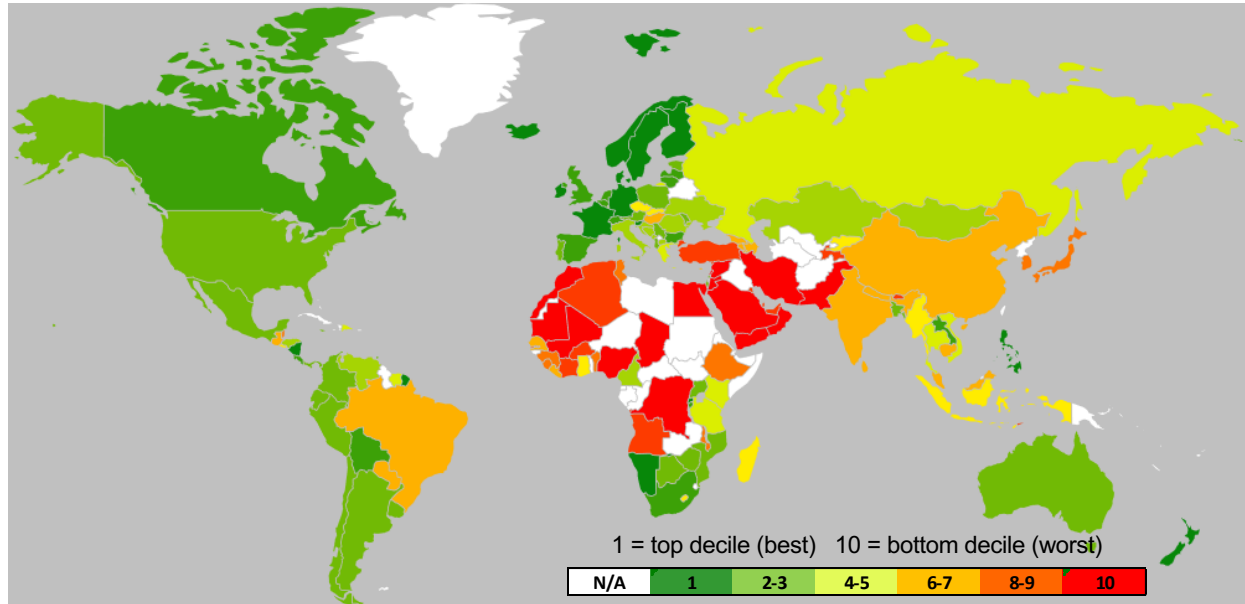
People – Good Health and Well-being



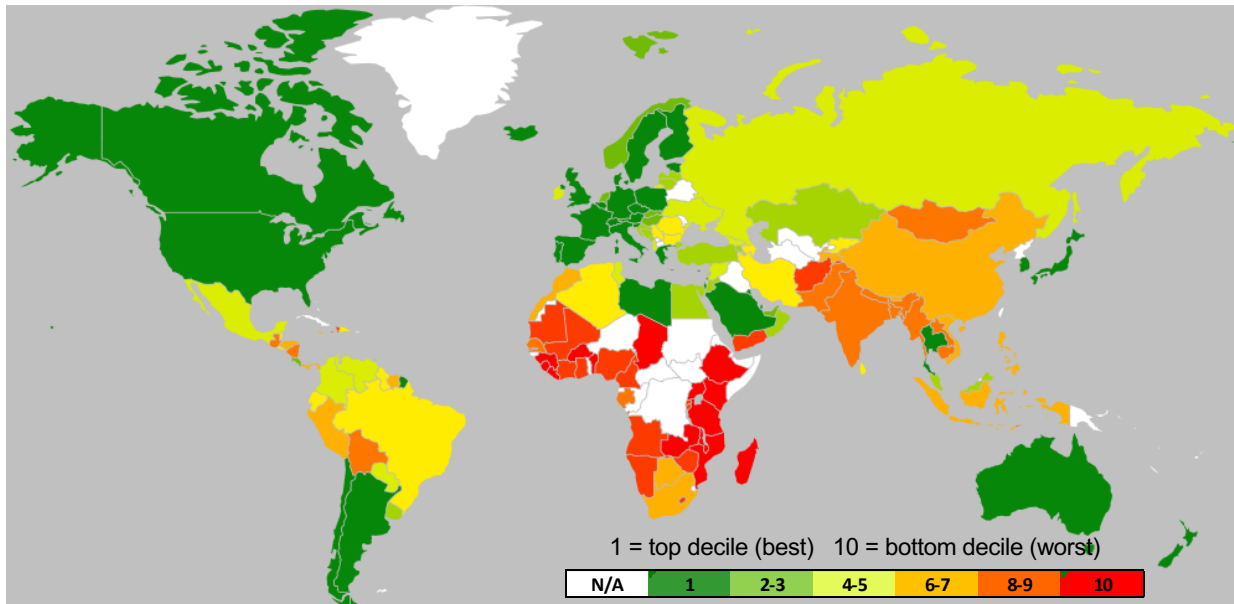
People – Quality Education



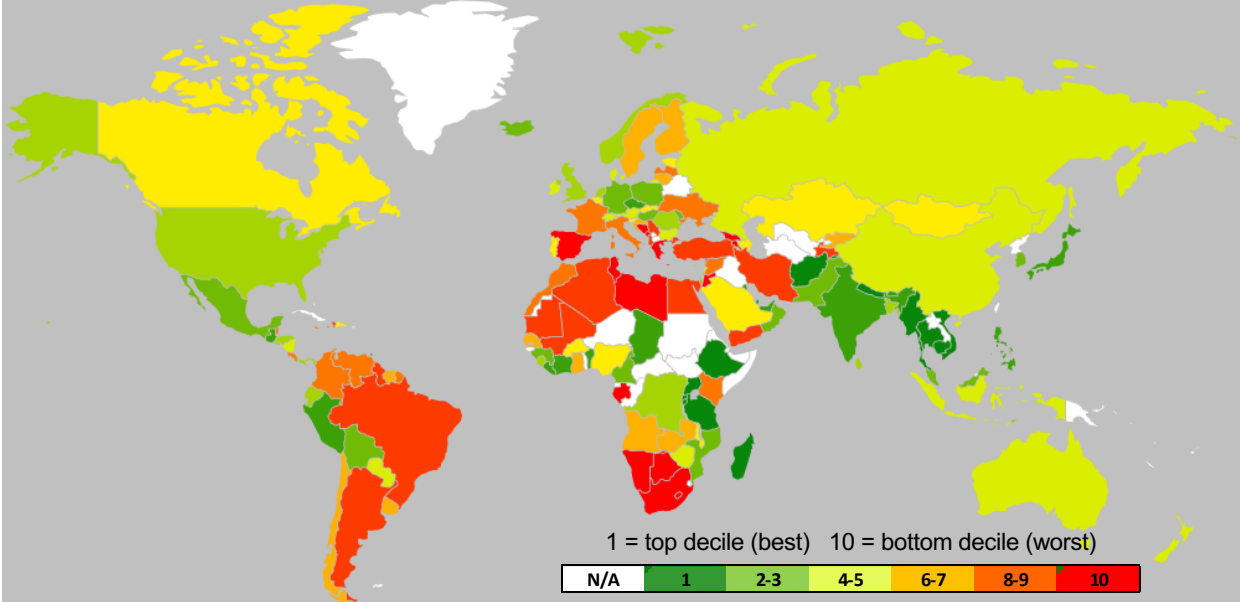
People – Gender Equality



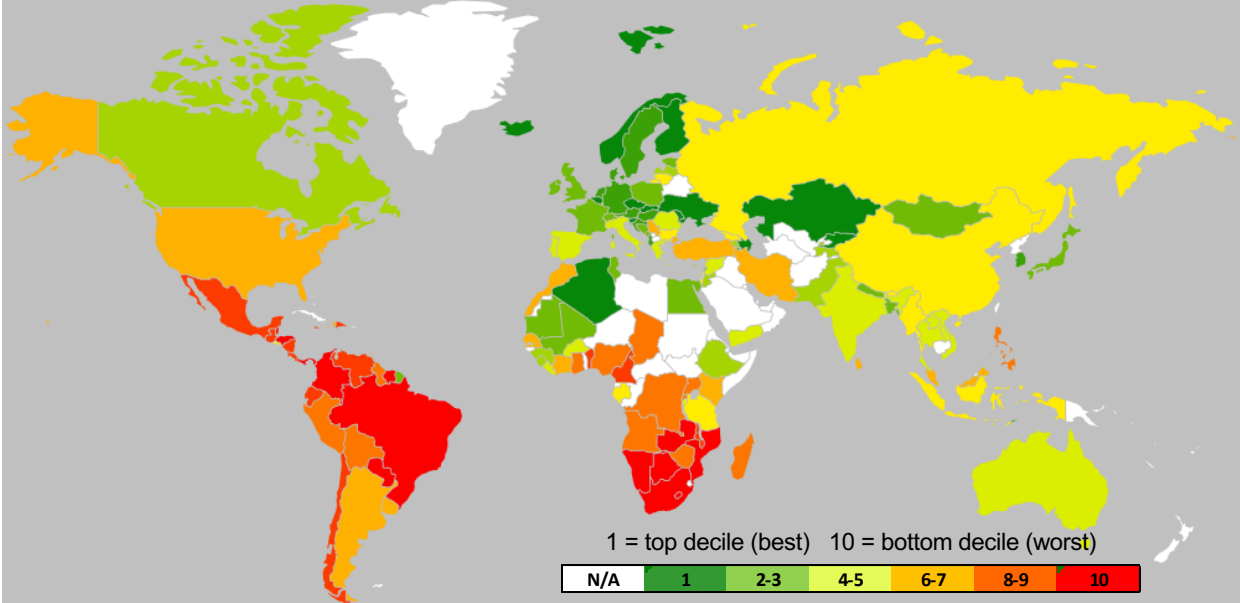
People – Clean Water and Sanitation



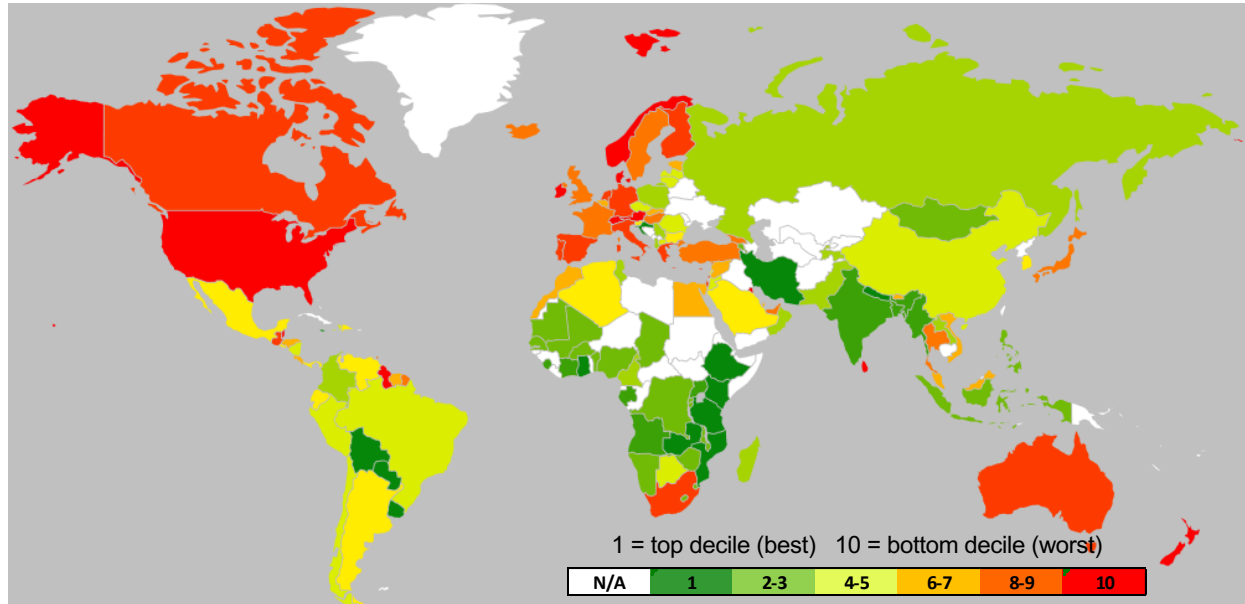
People – Decent Work and Economic Growth



People – Reduced Inequalities



People – Responsible Consumption & Production



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