



# Emerging Markets Equity Strategy

AS OF DECEMBER 31, 2017

## Strategy facts

**Lead Portfolio Manager:** Christopher Lively, CFA  
**Co-Portfolio Manager:** Donald Elefson, CFA, José Gerado Morales, CFA  
**Inception:** August 1, 2007  
**Assets under management:** \$6.8 B  
**Vehicles:** Separate account, commingled fund, CIT\* and UCITS  
**Benchmark:** MSCI Emerging Markets

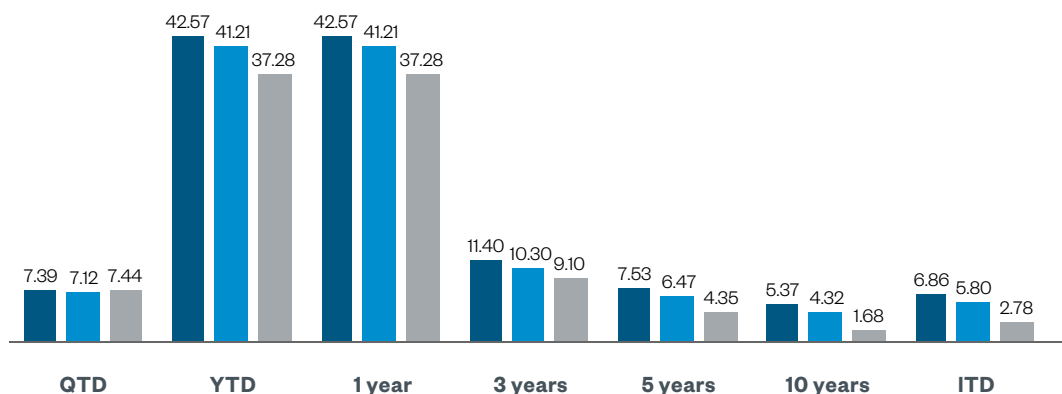
## Strategy objectives

Axiom invests in dynamic growth stocks globally. Axiom seeks to identify companies whose key business drivers are both improving and exceeding expectations through its systematic process of data collection, analysis and portfolio construction. The Emerging Markets Equity strategy concentrates its investments in companies located in emerging market countries or in companies that derive a majority of their revenues or assets from an emerging market country. Axiom's investment universe consists of approximately 2,000 companies worldwide from which Axiom selects between 70-85 stocks.

## Annualized returns

Performance period: 8/1/07-12/31/17

- Emerging Markets Equity Composite (% gross of fees)
- Emerging Markets Equity Composite (% net of fees)
- MSCI EMF (Emerging Markets) (%)



Please refer to the attached GIPS compliant presentation for complete performance information. Past performance is no guarantee of future results.

## Portfolio statistics

	Strategy	Bench.
Holdings	88	844
Weighted Average Market Cap (\$M)	\$119,000	\$98,902
Liquidity (\$M/Day)	\$370	\$296
Net Debt/Equity Ratio	4.2	18.0
Price Earnings Ratio	13.4	12.4
Earnings Growth Rate	22.0	19.1
PEG Ratio (PE/Growth Rate)	0.6	0.7
Earnings Revisions Up	60%	53%
Earnings Revisions Down	40%	47%

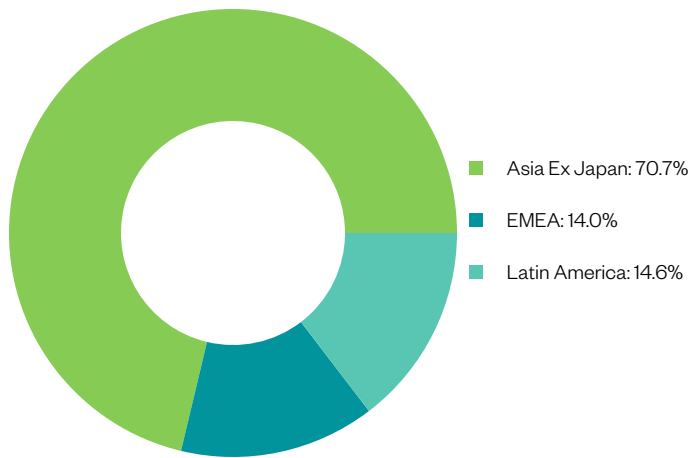
## Portfolio top ten holdings

Security	Country	Sector	Strategy	Bench.
Tencent	China	Info. Tech.	6.0%	5.5%
Samsung	Korea	Info. Tech.	5.6%	4.3%
Alibaba	China	Info. Tech.	4.6%	3.7%
Taiwan Semiconductor	Taiwan	Info. Tech.	4.1%	3.5%
Naspers	S. Africa	Discretionary	3.1%	2.3%
Ping An Insurance	China	Financials	2.9%	1.0%
China Construction	China	Financials	2.6%	1.4%
Sberbank	Russia	Financials	2.2%	0.8%
Itau Unibanco	Brazil	Financials	2.1%	0.8%
FirstRand	S. Africa	Financials	1.7%	0.3%

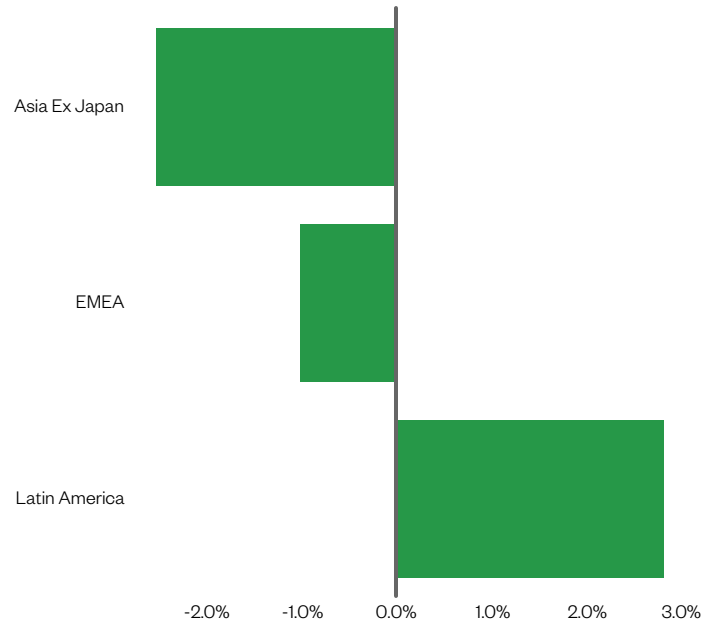
Source: Factset and Axiom. This information is supplemental to the Investment Performance Disclosure Statement results. There can be no assurance that the Strategy will continue to hold these positions or that weightings do not change after the as of date stated.

\*SEI Trust Company (the "Trustee") serves as the Trustee of the Trust and maintains ultimate fiduciary authority over the management of, and the investments made in, the Fund. The Fund is part of a Collective Investment Trust (the "Trust") operated by the Trustee. The Trustee is a trust company organized under the laws of the Commonwealth of Pennsylvania and a wholly owned subsidiary of SEI Investments Company (SEI).

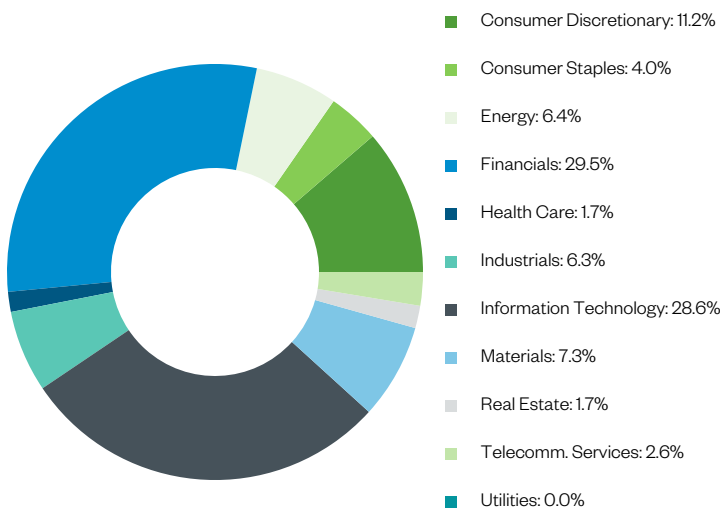
## Portfolio exposure by region



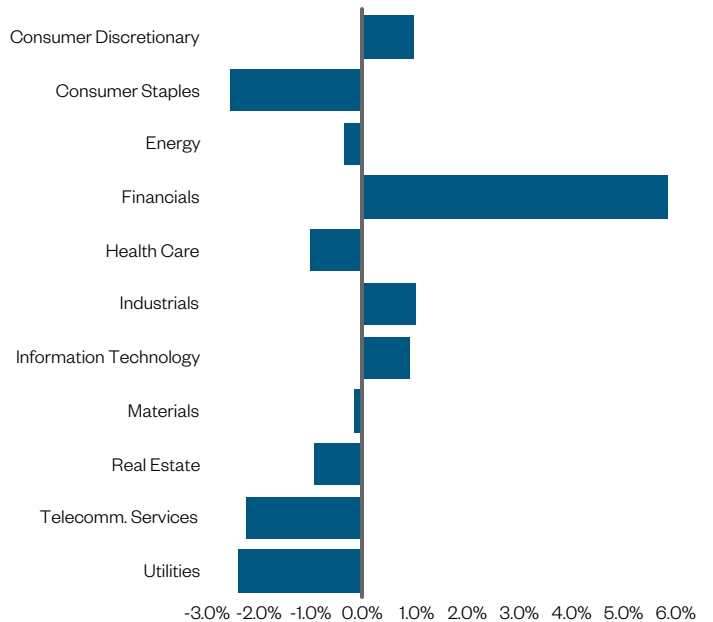
## Regional allocation vs. benchmark weight



## Portfolio exposure by sector



## Sector allocation vs benchmark weight





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## Commentary

The Axiom Emerging Markets Equity Strategy ("Strategy") underperformed the MSCI Emerging Markets Index ("Index") during the fourth quarter. The Strategy is ahead of the Index, net of fees, over the longer term trailing time periods, including the 1-year, 3-year, 5-year, 10-year and since inception.

The emerging markets index finished a remarkable year at record highs, registering positive gains in eleven out of twelve months with historically low volatility. A global 'Goldilocks' environment with accelerating economic growth, subdued inflation, and generally easy monetary policies, supported emerging markets financial assets. Moreover, a world trade recovery, healthy external balances, and attractive real interest rates continued to drive emerging market currencies higher by 3.2% in the fourth quarter and 11.3% for the year. At the corporate level, improving revenues generally outpaced relatively controlled costs, resulting in higher margins and better than expected earnings growth. While earnings expectations have risen, the fourth quarter continued a pattern of higher EPS revisions and positive earnings surprises, a continued favorable backdrop for the Strategy.

Given this favorable macroeconomic environment, the financial sector contributed positively to the Strategy's performance, led by insurance in China and commercial banks in Russia and Southeast Asia. From a geographical perspective, our stock selection in China was positive, including outperformance by a diverse set of companies in a variety of sectors, demonstrating the breadth of opportunity in the largest emerging market. On the negative side, our stock selection in the information technology sector was a negative contributor this quarter as smartphone demand slowed and stronger currencies weighed on this export driven sector. From a geographic perspective, Latin America detracted as we were slightly overweight and the region declined -2% during the quarter on a variety of economic and political concerns.

In terms of individual stocks, a top contributor was Ping An, a Chinese insurance company. During the fourth quarter alone, consensus estimates for its 2018 earnings were revised up by 38% as its innovative product

strategy met strong insurance demand by increasingly wealthy Chinese consumers. Another positive contributor was Kweichow Moutai, a leading spirits producer in China. Buoyant demand for its premium brands drove higher pricing, resulting in a 25% upgrade to 2018 earnings during the fourth quarter. On the negative side, Sunny Optical, a top performer over the last year, corrected sharply because of an inventory correction in the Chinese smartphone market, resulting in negative earnings revisions. We trimmed Sunny but remain invested given its still increasing market share in the optical lens market. Another negative contributor was Grupo Financiero Banorte, a leading Mexican bank. While revenue growth is tracking ahead of expectations, the stock underperformed because of weakness in the Mexican peso and an acquisition that increased its regional government loan exposure.

Markets seem to be on solid fundamental footing and emerging markets remain healthy even as they approach the two year anniversary of the ongoing bull market. Appreciation thus far of over 70% from the trough is still less than half of the median return achieved during the last six emerging bull markets. Earnings have driven the bulk of the gains so far, and PE ratios remain attractive with the MSCI EM index on a PE of 12x. Emerging markets ROE is still below its 10-year average and the EM index earnings are 17% below the 2011 peak and, by some estimates, 30% below the longer term trend. While high levels of corporate debt are a concern, several countries, including China, are managing a gradual deleveraging. The onset of tighter monetary policy in the US is a concern, although mitigated by the tailwinds from a weakening US dollar. In addition to the latent risks of protectionism and geopolitics, consumer price inflation is starting to increase in select emerging markets and needs to be monitored. Notwithstanding these concerns, the larger trends appear attractive and the growth profile, financial health, and currency attractiveness of emerging markets remain supportive. Moreover, emerging market fund flows are persistently positive and sentiment is improving even as global positioning still shows restraint. In the context of positive market fundamentals, we are finding well managed companies that continue to surpass reasonably anchored consensus expectations and therefore, we remain positive about the opportunities for stock selection and the outlook for emerging markets.

*The information presented is not definitive investment advice, should not be relied on as such, and should not be viewed as a recommendation by Axiom. The security presented is not representative of all of the securities purchased, sold or held for advisory clients, and it should not be assumed that the investment in the security identified was or will be profitable.*

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## Footnotes and disclaimers

	Composite return (gross of fees)	Composite return (net of fees)	Benchmark Total Return (%)	No. of accounts	Market value (millions)	Total firm assets (millions)	% of firm assets (%)	Internal dispersion (%)	Composite 3-year standard deviation (%)	Benchmark 3-year standard deviation (%)
2017	42.57%	41.21%	37.28%	21	6,210.6	12,116.0	55.75	0.71	15.07	15.35
2016	9.30%	8.21%	11.19%	16	3,170.0	9,671.6	32.78	0.17	15.55	16.07
2015	-11.29%	-12.19%	-14.92%	16	2,571.7	8,704.3	29.54	0.29	13.96	14.06
2014	-0.26%	-1.26%	-2.19%	14	2,349.1	9,482.3	24.77	0.35	15.07	15.00
2013	4.30%	3.26%	-2.60%	8	1,444.2	9,949.8	14.52	0.30	19.37	19.04
2012	22.94%	21.74%	18.22%	8	1,271.3	8,611.6	14.76	0.03	21.98	21.50
2011	-17.48%	-18.31%	-18.42%	7	833.8	10,161.2	8.21	0.07	26.38	25.76
2010	27.34%	26.10%	18.88%	≤ 5	843.0	13,827.6	6.10	N/A	N/A	N/A
2009	87.50%	85.72%	78.51%	≤ 5	751.0	12,124.4	6.19	N/A	N/A	N/A
2008	-51.56%	-52.07%	-53.33%	≤ 5	2.1	7,454.4	0.03	N/A	N/A	N/A

Fee schedule: First \$25 million: 1.00%; next \$75 million: 0.90%; next \$25 million: 0.80%; next \$50 million: 0.70%; Balance: 0.60%

**Firm Compliance Statement:** Axiom International Investors LLC (the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Axiom has been independently verified for the period September 1, 1998 to September 30, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Axiom Emerging Markets Equity composite has been examined for the periods August 1, 2007 to September 30, 2017. The verification and performance examination reports are available upon request.

**Definition of the Firm:** The firm is currently defined for GIPS purposes as Axiom International Investors, LLC (the "Firm") is a registered investment advisor under the Investment Act of 1940.

**Policies:** Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance does not predict or guarantee future results.

**Composite Description:** The Emerging Markets Equity strategy (the "Composite") is designed for investors who seek to invest in a broadly diversified portfolio of emerging market equities. Portfolios are invested in the full range of global emerging markets. Currencies may be actively managed to reduce portfolio volatility. The Composite represents the performance of all institutional emerging markets style fee-paying, discretionary equity accounts, regardless of asset size and commingled fund (s). The Composite was initiated and created in August 2007. A complete list of composite descriptions is available upon request.

**Benchmark Description:** The benchmark is the MSCI Emerging Markets index, which is designed to measure the equity market performance in the global emerging markets. The benchmark is calculated on a total return basis with net dividends reinvested, after the deduction of withholding taxes and is free float-adjusted market cap weighted and unmanaged. FX is based off London 4 P.M. close.

**Significant Cash Flow Policy:** Accounts with a cash flow greater than 20% of the portfolio market value are excluded for the month.

**Reporting Currency:** Valuations are computed and performance is reported in U.S. dollars. FX is based off NY 4 P.M. close.

**Fees:** Gross of fees returns are presented before management and custodial fees but after all trading expenses. Net of fees returns are calculated by deducting the highest fee from the monthly gross composite return which is expressed above in the stated fee schedule. Returns include the reinvestment of income. Performance is calculated net of withholding taxes on dividends.

**Internal Dispersion:** Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. If 5 or less accounts, N/A is shown.

**Annualized Standard Deviation:** The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011.

This may contain forward-looking statements within the meaning of the federal securities laws. Actual results could and likely will differ, sometimes materially, from those projected or anticipated.

We are not undertaking any obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise. You should not take any statements regarding

past trends as a representation that trends or activities will continue in the future. Accordingly, you should not put undue reliance on these statements.

Axiom's standard policy is to use the MSCI country for country reporting purposes. There will be instances where the majority of a company's earnings and/or assets are located in a country within the strategy guideline, while the country of incorporation may be located elsewhere.

The information contained herein represents neither an offer to sell nor a solicitation of an offer to buy any securities or investment service. This strategy will only be offered through appropriate documents, copies of which may be obtained upon request from ClientRelations@axiom-investors.com. Offers will not be made in any jurisdiction in which the making of an offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. Investors should read applicable materials carefully before making a decision to invest.

**Risks of investing in the strategy:**

**Potential loss of investment:** No guarantee or representation is made that the investment program used by Axiom will be successful. The strategy represents a speculative investment and involves a high degree of risk. An investment in the strategy should be discretionary capital set aside strictly for speculative purposes. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment in the strategy. An investment in the strategy is not suitable for all investors. An investor could lose or a substantial portion of his/her/its investment. Only qualified eligible investors may invest in the strategy. Because of the nature of the trading activities, the results of the strategy's operations may be volatile from month to month and from period to period. Accordingly, investors should understand that past performance is not indicative of future results.

**Fees and expenses:** The strategy may be subject to substantial charges for management, advisory and brokerage fees. It may be necessary for those accounts that are subject to these charges to make substantial trading profits to avoid depletion or exhaustion of their assets.

**Reliance on key persons:** The strategy's manager or advisor has total trading authority over the strategy and may be subject to various conflicts of interest. The death, disability or departure of the manager or advisor may have a material effect on the strategy.

**Counterparty and bankruptcy risk:** Although Axiom will attempt to limit its transactions to counterparties which are established, well-capitalized and creditworthy, the strategy will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes, which could subject the strategy to substantial losses.

**Volatile markets:** Market prices are difficult to predict and are influenced by many factors, including: changes in interest rates, weather conditions, government intervention and changes in national and international political and economic events.

The above summary is not a complete list of the risks, tax considerations and other important disclosures relating to Axiom products or services. Prospective clients should read all disclosure documents provided by Axiom relating to its products or services before engaging Axiom's advisory services.

The Axiom Investors Collective Investment Trust is a trust for the collective investment of assets of participating tax-qualified pension and profit sharing plans and related trusts, and governmental plans as more fully described in the Declaration of Trust. The Axiom Investors Trust is managed by SEI Trust Company, the trustee, based on the investment advice of Axiom Investors, the investment adviser to the trust. As a bank collective trust, the Axiom Investors Trust is exempt from registration as an investment company.