ATTRIBUTION REPORT – EMERGING MARKETS EQUITY

as of December 31, 2024

The Chinese economy advanced 4.6% year-on-year in the third quarter. Growth continued to trend lower amid persistent headwinds from a struggling real estate sector and sluggish domestic demand. While recent stimulus measures did not bring about the broad-based acceleration many had hoped for, some pockets of the real economy improved toward year-end. In Q4's first two months, retail sales rose 3.9%, up from 2.7% in Q3, while investments in manufacturing and infrastructure increased. Manufacturing output hit a six-month high in November. However, China's housing market continued to struggle, with real estate investment down 10.4%, marking a third year of contraction. Risks from potential U.S. tariffs may further impact growth, reinforcing expectations of more monetary and fiscal easing. The IMF forecasts 4.5% GDP growth in 2025, dependent on stimulus and trade factors.

In India, real GDP grew 5.4% year-on-year in Q3. Growth was significantly lower than the 6.7% rate of expansion recorded in the previous quarter. The economy's deceleration was largely owed to weaker industrial sector output (+3.9%). Activity in the services sector – which has a stronger link to domestic demand – remained robust, rising 7.1% in the same period. The Indian economy is projected to grow by 6.5% in real annual terms in 2025, per IMF estimates.

Mexico has benefited from the U.S. economy's resilience, but this tailwind could fade in 2025. More than 80% of Mexican exports go to the U.S., and tariffs would upend Mexico's booming trade sector. Trade policy uncertainty is likely to weigh on business confidence and investment in the meantime. However, the domestic economy is on solid footing going into 2025. Household spending has fared well to date, unemployment is at historically low levels and financial conditions are becoming less restrictive. The IMF forecasts real GDP growth in Mexico will moderate to 1.3% this year, slightly undershooting its long-term average of around 1.5%.

Brazil is also expected to see lower growth in 2025. In response to stronger than expected inflation, Brazil's central bank has been forced to walk back some of its recent interest rate cuts. According to the IMF, real GDP will moderate to 2.2% in 2025, but the prospect of additional monetary tightening could introduce downside risk to this forecast.

The IMF expects emerging market real GDP growth to remain stable at 4.2% in 2025. However, it is worth noting that slowdowns are expected for the largest emerging market economies, and this regional forecast reflects rebounds in several frontier economies that have undergone significant adjustments.

FOURTH QUARTER

From 01-OCT-2024 to 31-DEC-2024	Total Return (%)			Ending Weight (%)			Selection Effect (%)	Allocation Effect (%)*	Total Attribution (%)
	Port	Bmk	Diff	Port	Bmk	Diff			
Consumer Staples	2.5	-13.9	16.4	6.2	4.8	1.4	1.0	0.0	0.9
Industrials	-4.8	-10.8	6.1	20.4	6.6	13.8	1.2	-0.4	0.8
Materials	-15.1	-18.6	3.5	4.1	5.7	-1.6	0.2	0.2	0.3
Consumer Discretionary	-13.8	-14.5	0.7	9.8	13.1	-3.3	0.1	0.2	0.3
Energy	-18.1	-14.5	-3.6	3.6	4.6	-1.0	-0.1	0.1	-0.1
Utilities	-9.8	-14.1	4.3	20.1	2.7	17.4	0.9	-1.1	-0.2
Communication Services	-20.0	-8.1	-11.9	2.4	9.4	-7.0	-0.3	0.0	-0.3
Financials	-5.7	-5.0	-0.7	16.0	23.7	-7.7	-0.1	-0.2	-0.4
Health Care	-14.0	-11.7	-2.3	8.9	3.4	5.5	-0.2	-0.2	-0.4
Real Estate	-18.0	-6.5	-11.5	4.7	1.7	3.0	-0.5	0.0	-0.5
Information Technology	-16.6	1.1	-17.7	3.9	24.3	-20.4	-0.6	-1.6	-2.3
	-9.8	**-8.0**	**-1.8**	**100.0**	**100.0**		**1.3**	**-3.1**	**-1.8**

* Includes interaction: a mathematical consequence of the allocation and selection effects rather than an actively made investment decision.

The Letko Brosseau Emerging Markets Equity Fund (the "Fund") returned -9.8% in the fourth quarter, while the MSCI Emerging Markets Total Return Net Index returned -8.0%, resulting in a difference of -1.8%. The Fund's performance was helped by strong security selection in Consumer Staples, but negatively impacted by holdings in Real Estate and a lower allocation to Information Technology.

Consumer Staples

Our positions within the Consumer Staples sector performed well during the quarter, returning 2.5% while the benchmark experienced a -13.9% loss due to several companies posting weaker-than-expected earnings and lower margins. The fund's outperformance in this sector was driven by strong returns from First Pacific, which delivered 4.8% for the quarter and accounted for a notable 3.8% of the fund's total weight at the end of the period. First Pacific is a leading investment holding company focused on the fast-growing economies of Southeast Asia, particularly Indonesia and the Philippines. The company holds significant stakes in key businesses such as PT Indofood, the largest food company in Indonesia, PLDT, the largest telecom operator in the Philippines, and MPIC, the Philippines' largest infrastructure investment holding company. First Pacific’s investments are positioned to benefit from long-term growth trends in emerging Asian markets, including a young population and increasing demand for infrastructure. First Pacific is currently trading at a 2025E P/B ratio of ~ 0.5x and offers a generous 6% dividend yield.

Real Estate

The Real Estate sector underperformed over the past quarter, lagging the benchmark by -11.5%. This is due to the fund’s only two companies in the sector: Concentradora Fibra Danhos (-8.6%) and Allos (-26.0%). Fibra Danhos is a Mexican REIT with a portfolio of retail, office, industrial, and mixed-use properties in Mexico City. The company has strong growth potential, with ongoing developments like the expansion of Parque Industrial Danhos Cuautitlán and a luxury hotel project in Cancún. Its solid balance sheet, marked by a low loan-to-value ratio and inflation-linked lease contracts, ensures financial stability. The REIT trades at a 2025E P/FFO ratio of ~ 8x and offers a 9.6% dividend yield.

Allos, formed from the merger of Aliansce Sonae and BR Malls, is Brazil's largest shopping mall owner, with 46 malls across 16 states. In the fourth quarter, inflation expectations in Brazil worsened as expansionary fiscal policy and strong wage growth fueled increased spending. This led the Central Bank of Brazil to raise interest rates further, despite already elevated levels, driving share prices lower in interest-sensitive sectors such as Real Estate. However, the company has strong growth potential with 1.2 million square meters of mall development and 3 million square meters of mixed-use space. Allos benefits from scale, synergies, strong liquidity, and good free cash flow generation. With a low loan-to-value ratio and an attractive valuation, it is well-positioned in the Brazilian retail market. The company trades at a 2025E P/FFO ratio of ~ 7x and offers a 7.5% dividend yield. Despite weaker performance in the Real Estate sector during the fourth quarter, we believe the fund's portfolio companies continue to demonstrate promising growth at attractive valuations and are well-positioned to deliver value over the medium and long term, driven by strong fundamentals.

Information Technology

Due to the higher volatility and valuations typically seen in the Information Technology (IT) sector, we approach investments with caution. As a result, we maintain an underweight allocation, more than 20% below the benchmark, while avoiding companies with expensive valuations. While we remain mindful of potential corrections, none occurred this past quarter. Taiwan Semiconductor Manufacturing Company (TSMC), which we do not own, continued its growth trajectory, maintaining its heavy weight in the benchmark and delivering a strong double-digit return, driving the benchmark's 1.1% return. We consider TSMC to be overvalued. In contrast, the fund owns Samsung Electronics, which we believe trades at a more reasonable valuation. However, the company has faced challenges, reflected in its -22.3% return for the period. This performance was the main driver behind the fund's overall -16.6% return in IT. Despite this, we believe Samsung continues to have significant upside potential. The company is a leader in memory chips, a key driver of growth in AI, big data, and cloud computing. Samsung holds over 40% of the NAND and DRAM market and is poised for a cyclical recovery in memory prices. Additionally, the company leads in OLED displays and mobile base stations, benefiting from growing demand for 5G. We believe that Samsung is well-positioned for long-term earnings growth and we remain optimistic about its prospects.

LAST TWELVE MONTHS

From 01-JAN-2024 to 31-DEC-2024	Total Return (%)			Ending Weight (%)			Selection Effect (%)	Allocation Effect (%)*	Total Attribution (%)
	Port	Bmk	Diff	Port	Bmk	Diff			
Consumer Staples	37.8	-11.1	48.9	6.2	4.8	1.4	2.6	0.0	2.6
Utilities	8.3	3.3	5.1	20.1	2.7	17.4	1.0	-0.8	0.2
Energy	-10.2	-5.9	-4.2	3.6	4.6	-1.0	-0.2	0.1	-0.1
Materials	-25.6	-19.6	-6.1	4.1	5.7	-1.6	-0.6	0.4	-0.1
Industrials	2.5	0.6	1.9	20.4	6.6	13.8	0.3	-1.0	-0.7
Consumer Discretionary	-0.2	11.8	-12.0	9.8	13.1	-3.3	-0.9	0.0	-0.9
Communication Services	-21.0	15.9	-36.9	2.4	9.4	-7.0	-1.0	-0.5	-1.4
Financials	0.8	11.0	-10.2	16.0	23.7	-7.7	-1.4	-0.2	-1.6
Real Estate	-31.1	3.7	-34.9	4.7	1.7	3.0	-2.0	-0.2	-2.2
Health Care	-22.9	-0.9	-22.0	8.9	3.4	5.5	-1.9	-0.4	-2.4
Information Technology	-23.9	20.4	-44.4	3.9	24.3	-20.4	-1.8	-1.9	-3.7
	-2.9	**7.5**	**-10.4**	**100.0**	**100.0**		**-5.9**	**-4.5**	**-10.4**

* Includes interaction: a mathematical consequence of the allocation and selection effects rather than an actively made investment decision.

In 2024, our emerging markets fund posted a -2.9% return, trailing the MSCI Emerging Markets Total Return Net Index, which delivered a 7.5% return. Our performance over the past twelve months was boosted by strong results in the Consumer Staples sector, but the Health Care and Information Technology sectors in our portfolio have underperformed compared to the benchmark.

Consumer Staples

The Consumer Staples sector posted a robust 37.8% return in 2024, significantly outperforming the benchmark's -11.1% return. As noted earlier, Consumer Staples companies faced a challenging year, with weaker-than-expected earnings and shrinking margins. However, our strategic approach to bottom-up security selection positively contributed, as we focused on companies with solid fundamentals and proven track records. Notably, in addition to First Pacific, the sector's largest portfolio holding at 3.8% weight (detailed with its contribution in the fourth quarter), which delivered an impressive 55.5% return in 2024, PureGold Price Club, accounting for 1.4% of the portfolio, achieved a 13.0% return, and MHP, accounting for 0.6% of the portfolio, soared with an 71.1% return. PureGold is the Philippines' second-largest grocery retailer, with plans for aggressive expansion. It serves both lower and higher-income segments through its PureGold and S&R brands, respectively. As for MHP, the company is Ukraine's largest poultry producer, with a vertically integrated business model that ensures cost efficiency. The company benefits from strong domestic and international market positions, offering a broad range of products. Both PureGold and MHP exemplify our disciplined investment approach, showcasing our focus on companies with strong market positions, solid financials, and growth potential.

Health Care

The Health Care sector underperformed last year, trailing the benchmark by -22.0%. Our focus on price discipline enabled us to avoid expensive stocks in the sector, instead concentrating on more promising opportunities. In fact, healthcare stocks in our portfolio trade at a 2025E P/E ratio of ~ 8x, compared to ~ 33x for the benchmark. However expensive the benchmark, we have not seen a correction materialize during the year. In our portfolio, the main contributors to underperformance were Shandong Weigao and Fleury. Shandong Weigao, a maker of medical consumables and orthopedic products, returned -36.7%. Government purchasing pressures have affected its prices and margins, but we expect a rebound as demand for healthcare products grows in China, supported by an aging population. Fleury, a leading Brazilian diagnostic provider, posted -45.3%. With growing private healthcare demand, Fleury's 15% market share and potential for strategic acquisitions position it well for future growth. Fleury's performance this year can be explained by a variety of factors, including inflationary pressures, the ongoing strain on consumer spending and currency devaluation in Brazil. It is worth noting that Fleury's strategy of expansion and acquisition might take time to yield significant returns. We continue to accept short-term volatility as the company expands its market presence. The long-term growth potential supported by its dominant position and diverse brand portfolio, remains intact.

Information Technology

Information Technology was the biggest detractor during the period, underperforming the benchmark by -44.4%. This was primarily due to our decision to avoid expensive stocks in the sector, such as Taiwan Semiconductor Manufacturing Company, and instead focus on more attractively valued opportunities. Samsung also weighed on results, returning -38.7% over the past year. As previously discussed, while Samsung's technologies are crucial for modern electronics, its prices are currently at a low cyclical point. However, we expect growth to pick up again, driven by strong secular trends like the rise of artificial intelligence.
