

EM EQUITY MARKET SNAPSHOT- Q1 2024

CONCENTRATION CORRECTION FOLLOWED BY VALUATION ADJUSTMENT - HIGH TIME TO REVISIT DIVERSIFIED EQUITIES -

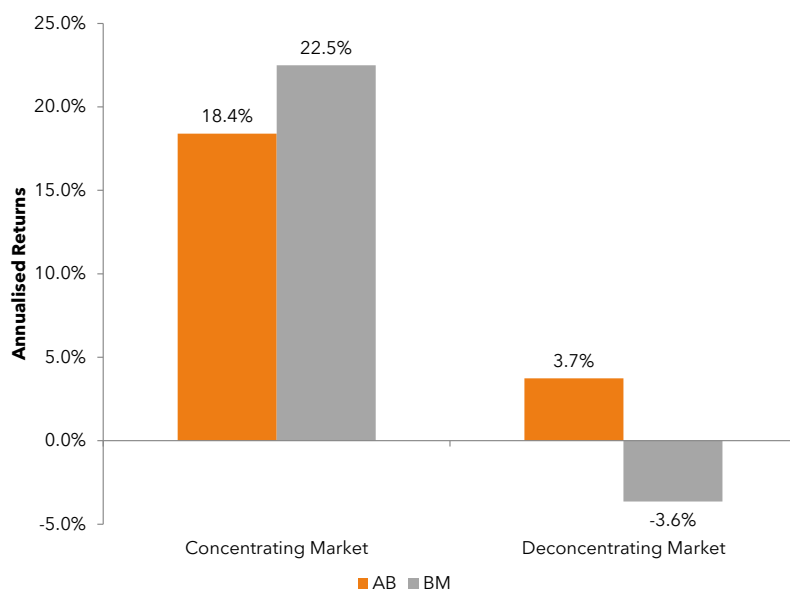
Figure 1: returns of the top 5 holdings vs rest of EM Index, change in Diversification Ratio® YTD

Security Name	31/12/2020	31/12/2021	30/12/2022	29/12/2023	29/03/2024	YTD Return
TAIWAN SEMICONDUCTOR	4.46%	4.98%	4.54%	5.66%	6.81%	24.54%
SAMSUNG ELECTRONICS CO LTD	3.55%	3.00%	2.78%	3.62%	3.51%	-1.28%
TENCENT HOLDINGS LTD	4.25%	3.38%	3.48%	2.84%	2.87%	3.25%
SAUDI ARABIAN OIL CO			1.46%	2.55%	2.31%	-5.56%
ALIBABA GROUP HOLDING LTD			2.15%	1.90%	1.72%	-7.28%
Top 5 EM Benchmark	12.25%	11.36%	14.42%	16.57%	17.22%	6.99%
EM Benchmark ex Top 5	87.75%	88.64%	85.58%	83.43%	82.78%	0.49%
Constant Matrix DR2	0.95	0.95	0.93	0.94	0.94	
Weight change with respect to previous year	21.52%	-7.29%	26.95%	14.95%	3.90%	
Constant Matrix DR2 % Change wrt Previous Year	-4.47%	0.59%	-2.92%	1.34%	0.49%	

Source: TOBAM, Bloomberg (12/31/2020 – 03/28/2024)

- TSMC, already the largest weighted security in the index by nearly a factor of 2 (8.33% as of March 29), gained nearly 25% during Q1, significantly contributing to the further risk concentration of the market cap index
- While the top 5 stocks returned 7%, the EM ex Top 5 delivered just 0.5% year to date.

Figure 2: Returns of AB and BM across extreme market concentration and deconcentration regimes in EM equity (30-Dec-2000 to 28-Mar-2024)



Source: TOBAM and Bloomberg. Performance returns are stated in USD and shown gross of fees and do not reflect the deduction of TOBAM's fees. TOBAM client's return will be reduced by the advisory fee and any other expenses that it may incur in the management of its investment advisory account. The period presented above shows the gross performance of the strategies from 12/31/2000 to 03/28/2024.

CONCLUSION

Now more than ever, investors could be rewarded by adding some systematic diversification to mitigate drawdown risk versus market cap benchmarks once this historic risk concentration phase eventually slows or reverses.

Across extreme concentration periods, we observe the following interesting results.

Deconcentration risk:

- The Benchmark is a bet on a continuously deepening concentration risk** – its returns are very high during periods of market concentration (22.5%) and very low (negative) during periods of market deconcentration (-3.6%).
- Anti-Benchmark returns are significantly positive in all market regimes**, be it concentration (18.4%) or deconcentration (3.7%).
- AB relative returns offer convexity relative to the concentration risk.** The outperformance of AB during deconcentration is significantly higher than the underperformance of AB during market concentration.
- In a hypothetical scenario of a consecutive cycle of market concentration followed by a deconcentration back-to-back, **an investor would have earned a net positive relative return of 2.2% vs BM by investing in AB** while incurring a lower average beta than the BM.

Crystal balls often become less effective during highly uncertain & volatile times such as the ones we face now. Adding systematic diversification could very well make a lot of sense right now...

- Agile investment boutique with prominent shareholders & clients
 - Streamlined, efficient and straight-through processing
 - Patented, unique & transparent investment process
 - Recognized pioneer in alternative beta strategies
- Value-added research focus

MAXIMUM DIVERSIFICATION®

One core investment philosophy, client aligned implementation

Invented and patented by TOBAM, the Maximum Diversification® investment process has one objective: to maximize the Diversification Ratio® of a portfolio given a set of constraints.

Capitalization weighted benchmarks are an imperfect means of capturing market risk premium. They expose investors to high time variation and often extreme idiosyncratic, sector or style specific risks. We believe that it is only by maximizing diversification, that investors can achieve a result closer to the true market risk premium available from an investment universe.

TOBAM's Maximum Diversification® methodology aims at:

- Providing superior diversification
- Enhancing performance and lowering risk compared to traditional benchmarks over a market cycle
- Collecting the full risk premium of an asset class
- Delivering a diversified and diversifying strategy

RISKS

Equity risk If the equities or indices to which the portfolio is exposed fall, the net asset value of the Compartment may also fall. Since the volume of small and mid-cap stocks listed on the stock exchange is relatively low, market downturns are more pronounced and more rapid than for large caps. The net asset value of the Compartment may therefore decline more quickly and more significantly. Investors' attention is drawn to the fact that the small-cap markets are intended to accommodate businesses that, due to their specific characteristics, may pose a risk for investors. Risk associated with the Management Company's investment process. Investors should note that portfolio construction and the selection and weighting of assets are based on a process developed by the Management Company. The Compartment's investment process is based on a systematic model designed to identify signals based on past statistical results. **Currency risk:** Currency risk is the risk of depreciation in the currencies in which the Compartment invests relative to the reference currency. This currency risk will be managed according to market opportunities and may thus account for a significant proportion of the risk. In the event of depreciation in foreign currencies, investors are thus exposed to a decline in the value of their units

ABOUT TOBAM

TOBAM is an asset management company offering innovative investment capabilities designed to increase diversification. Its mission is to provide rational and professional solutions to long term investors in the context of efficient markets.

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