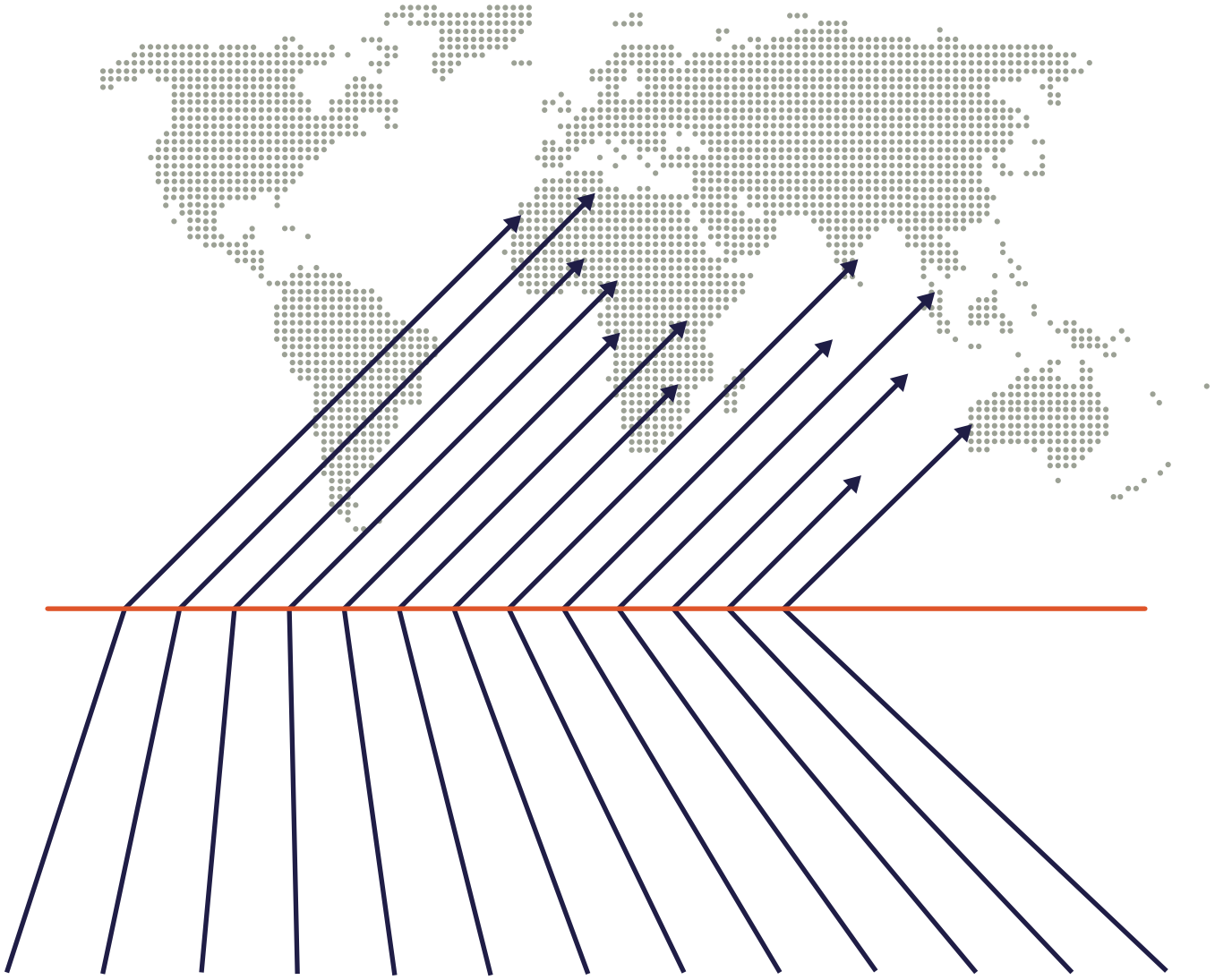
INTERNATIONAL INVESTMENT POLICY IN THE NEW WORLD ORDER



POLUNIN
CAPITAL PARTNERS

OXFORD METRICA

ABOUT OXFORD METRICA

Oxford Metrica is a strategic advisory firm, offering informed counsel to boards. Our advisory services are anchored on evidence-based research in risk and financial performance. Our work includes statistical analysis and index construction for banks and insurers, risk and performance analytics for asset managers, due diligence support in mergers and highly customised services for corporate boards.

ABOUT POLUNIN CAPITAL PARTNERS

Polunin was founded in 2001 to manage emerging equity portfolios for institutional asset owners worldwide. With offices in London and Singapore, the Firm manages US$6 billion on behalf of an exclusively institutional client base across EM and International equity strategies. Since inception, the Firm's sole objective has been to exploit the long-term thinking of corporate investors versus the short-term thinking of financial investors, thereby actively taking advantage of the ensuing cyclicality. In doing so, Polunin focuses on absolute performance, free from the organisational interference typical of larger firms.

INTERNATIONAL INVESTMENT POLICY IN THE NEW WORLD ORDER

POLUNIN CAPITAL PARTNERS

OXFORD METRICA

CONTENTS

FOREWORD

Dr Rory Knight, is the Chairman of Oxford Metrica. Rory is a member of the John Templeton Foundation where he chaired investments. Formerly he was Dean of Templeton College, Oxford University's business college and before that the Vize-Direktor at the Schweizerische Nationalbank (SNB), the Swiss Central Bank.

Oxford Metrica is delighted to present, in association with Polunin Capital Partners, this report on international investment policy in the new world order. We currently see much volatility in equity markets with the introduction of a new global regime on trade and tariffs. There is some hope of an early end to the hostilities in Europe, however, 2025 is likely to be a year that ushers in a new multi-polar world order. We explore the main issues that inform international investing and we consider the benefits of international diversification to both the International Developed Markets (IDM) and Emerging Markets (EM).

Global investors' allocations to IDM and EM are currently well below the twenty-year average; this derives from the relative under-pricing of these markets and a conscious investor risk aversion. This whitepaper is a follow-up on our earlier work with Polunin entitled *The inevitable resurgence of Emerging Markets (2023).* The earlier paper focused on EM and although the current paper updates some of the materials on EM, the focus will be on the IDM. Our main thesis continues to be that the domination of international equity returns by US equities for the last decade and a half is an aberration and should not be assumed to continue. We explore a number of factors that contributed to past performance and how dramatic changes are likely to impact expectations. These changes require a rethink of the international dimension of investing.

The global economic conditions that prevailed during the last fifteen years which nurtured the US equities' outperformance against the rest of the world will no longer prevail. Taken together with political dislocations and de-globalization, conditions will again provide valuable opportunities for discerning investors within the international markets. In short, we argue that IDM deserve a reset to occupy a larger allocation in institutional portfolios.

The report is organised into seven main sections: After an introduction of International Developed Markets (IDM); we examine the five key benefits of IDM investing; we then review the five major change vectors driving markets; thereafter we review the state of key aspects of these economies relative to the global markets observing the trend from macro-convergence to macro-divergence; there follows a section which reviews the performance of these equity markets with an analysis of the major risks. The penultimate section examines the benefits of active investing and harnessing the power of cyclicality in international equities. The paper concludes with reflections on some of the investment policy implications of the analysis presented. A carefully informed discerning allocation is key to investing internationally; it will be a roller-coaster ride but a highly exciting and potentially enormously profitable one.

We hope that this report will provide a helpful and insightful guide.

Dr Rory Knight
Chairman
Oxford Metrica

PREFACE

Progress in the investing business is impossible without the ability to question our inherent biases and beliefs. Over the last fifteen years, we and our peers in this industry have adapted to a world of almost infinite liquidity. For some, this period encompasses the bulk of their investing career, which inevitably makes the reversing of positions a lengthy, and costly, psychological process. The assumptions upon which investors built over a decade's worth of portfolios are being severely tested. The regime change in markets which we are facing requires asset owners to differentiate and choose between comfortable outcomes that they hope for and understand, and others they dislike and are less well prepared for.

Is it realistic, or even desirable, to expect a return to the easy liquidity conditions we have become accustomed to? Or is the evidence of change too robust to ignore? In this paper we aim to set the scene for this apparent valuation anomaly before suggesting some scenarios which might lead to a broader view of international investment policy.

At Polunin, the team is fortunate to have cut its teeth in emerging market equity, one of the more cyclical of the liquid asset classes, since the early 1990s – so the muscle memory is set in stone. We have also worked hard to put in place the other necessary building blocks that we lacked at our prior Firms. Everyone who joins the Firm also buys into the investment approach, with no exceptions. Any career risk that arises is from not following our contrarian, cyclical investment style. Any innovation (and we encourage it) must enhance our core disciplines, not lead us into false comfort zones. Our next innovation is to take all the analytical and behavioural skills accumulated over decades in emerging markets and apply them to the international equity universe.

We are pleased to collaborate with Oxford Metrica in presenting this paper.

Julian Garel-Jones
Founder and Portfolio Manager
Polunin Capital Partners Limited

Julian Garel-Jones is a founder and portfolio manager at Polunin Capital Partners Limited. He started his investment career at Rothschild Asset Management in London as an analyst in the financial institutions group before moving to the Emerging Markets equity team. In 1996 he joined Douglas Polunin and Paul Parsons on the Pictet Asset Management Emerging Markets equity team where they built a successful institutional business. Douglas, Julian and Paul founded Polunin Capital Partners with Aditya Mehta, a colleague from Credit Suisse Asset Management. Julian holds a Diploma in Hispanic Studies from Madrid University and later graduated with an MA Honours (First Class) in Spanish and Portuguese at Edinburgh University. He has been an Associate Member of the Association of Investment Management and Research (AIMR) and the CFA Institute since 1994. He speaks French and Portuguese fluently as well as being bi-lingual in English and Spanish.

INTRODUCING INTERNATIONAL DEVELOPED MARKETS (IDM)

As of 27 March 2025, the MSCI EAFE index is up over 9% year-to-date whereas the S&P 500 has declined by close to 4%. This is a major reversal as US equities have dominated the developed markets represented by the EAFE index for more than a decade. This reversal may be a harbinger of a longer-term trend. If so, there are profound implications for the asset allocation decisions of both US and international financial institutions. The EAFE index consists of the twenty-one developed countries outside North America, situated in Europe, Australasia and the Far East.[1]

[1] Footnotes appear on page 32

In the first decade of the millennium, international developed market (IDM) equities significantly outperformed US equities. We argue that the year-to-date outperformance of US equities by the IDMs may be a return to that form. US financial institutions, particularly endowments and foundations, have under-allocated to equities outside the United States, and over the last fifteen years, this strategy has paid off. Figure 1 shows that the first quarter of this century has been a game of two halves. In the first half, international equities dominated US equities. In the second half, however, the opposite has been true and the S&P 500 outperformed international equities by a significant margin. The US investor who might have neglected to consider the allocation of capital to international equities during the last decade was extremely lucky and experienced no pain for such an oversight. However, the world order has changed, and the question we now face is: *Will US equities continue to dominate international equities for the next five years?* The next five years are likely to be very different from the last decade, which has profound implications for equity markets and for the investment policies of US foundations. The early indicators for the year-to-date performance reported above suggest a changing tide.

We argue that the dominance of US equities was in fact an aberration and investors need to seriously reconsider their international portfolio policies. Our analysis suggests that this under-weighting in IDMs needs to be reviewed. The factors driving the differential performance between the US and the IDMs – principally monetary policy led by the Federal Reserve – have significantly changed. In addition, the era of globalisation with the attendant low interest rates has now come to an abrupt halt with the announcement of a return to trade tariffs.

Notwithstanding Sir John Templeton's warning: *The four most expensive words in the English language are 'This time it's different'*, we suggest that the future of international equity performance is not what it used to be.

FIGURE 1 IDM equity market performance
January 2000 to January 2025

THE FIVE KEY BENEFITS OF IDM INVESTING

There are five key benefits to diversifying into IDMs in anticipation of a meaningful change to the economic world order. This is not to suggest hedging or betting against the US economy but rather to improve overall portfolio performance. The five change vectors discussed in the next section provide the context for an understanding of these benefits.

1. Performance anomaly reversal
2. Natural diversification
3. Reduction in portfolio concentration
4. A wider alpha opportunity set
5. Current undervaluation in IDMs

1. PERFORMANCE ANOMALY REVERSAL

Figure 1 illustrates the dominance of the performance of the S&P 500 over the MSCI EAFE since 2010, although as will be highlighted later in the paper, it took the S&P 500 five years to make up the cumulative deficit against the MSCI EAFE since the beginning of the millennium. We argue that the recent period of outperformance is a historical anomaly rather than a structural change. In fact, the two main factors explaining the differential performance were, firstly, an unusual period of global monetary policy, where in the period after the great financial crisis, interest rates were zero or even negative with the attendant negative sloping US yield curve. As assets are priced off the yield curve, long-term assets such as US equities were priced correctly if relatively high. Secondly, the high concentration in the *Magnificent 7* US technology stocks was another driving force in the S&P 500 returns for this period (*see Figure 12 below*). Circumstances have now changed, interest rates and the yield curve have normalised, and the exceptional expected growth of the *Magnificent 7* is now priced in and expected returns normalised. It is therefore not unreasonable to expect a period where returns on IDM stocks are again competitive with US equities, thus reversing the aberrant dominance in returns by US stocks that have been observed in the last fifteen years. In fact, given the current changes in the US and global geopolitics, some argue that US equities may lag the rest of the world in 2025.

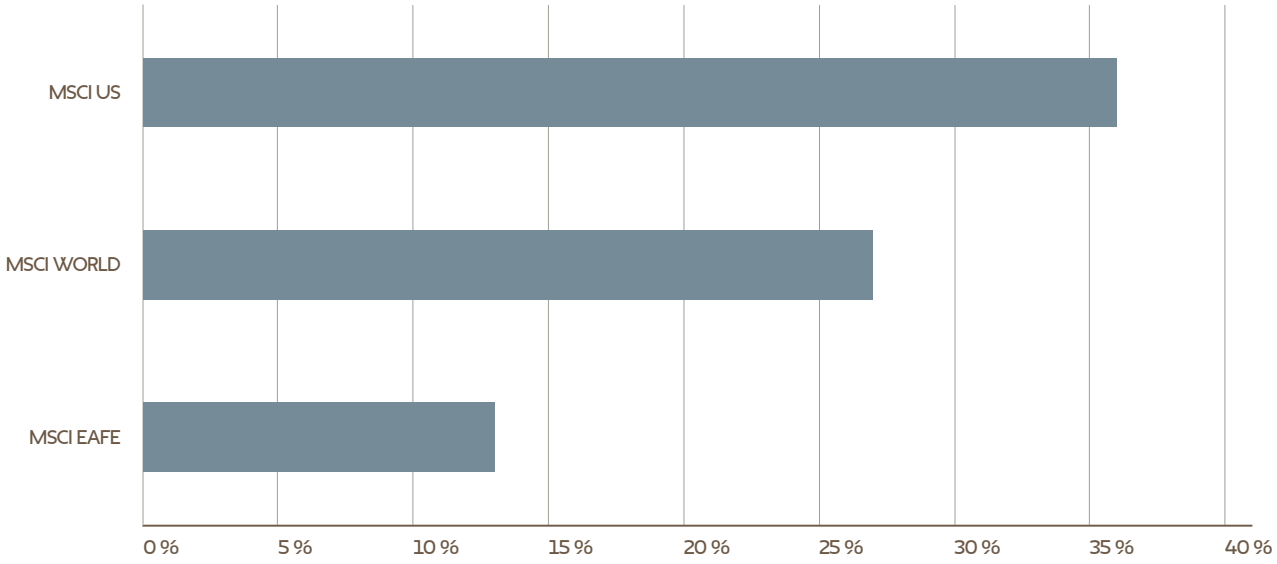
2. NATURAL DIVERSIFICATION

The IDMs represent twenty-one different countries and twelve currencies each comprising a distinctive mix of sectors and technologies affected by a multiplicity of diverse factors. There is therefore a natural benefit for US investors to reduce risk by carefully selecting investments that are to some extent uncorrelated with the returns on their US assets and thus improving the risk-return characteristics of their portfolio. The natural diversification to which we refer is not subjective, it is a measurable removal of volatility from the domestic portfolio. The extent of this benefit depends on the degree of a lack of correlation between the domestic portfolio and the potential international component.
In the last decade the world economy has experienced an unprecedented period of macro-convergence through increased globalisation and common monetary policies. The consequence has been a period of an unusual degree of interdependence among the major economies, leading to an increase in correlation among equity returns as economic outcomes affected countries in similar ways. We now face a period of macro-divergence due to the shifts in geopolitics and the introduction of an era of trade frictions in the global economy – in short, the economies of the rest of the world will be less co-ordinated with the US leading to a likely meaningful reduction in the correlation of equity returns between the S&P 500 and the MSCI EAFE index. The new dispensation in the world economy will further strengthen the rationale for a larger allocation to international equities to realise the increased benefits of risk reduction through natural diversification. This applies to both IDM and EM.

3. REDUCTION IN PORTFOLIO CONCENTRATION

As mentioned above, seeking a superior return in US equity markets during the last decade and a half has required a significant concentration in a small number of stocks. The effect of the so-called *Magnificent 7* referred to above illustrates how the US equity market has become extremely skewed to a few dominant stocks in comparison to the rest of the world. The consequence of this lower concentration in the IDMs results in a more effective diversification of risk among stocks in comparison to the US markets. Figure 2 below shows the relative concentration in the MSCI US, the MSCI EAFE and the MSCI World indices, by reporting the current weight of the top ten stocks by market capitalisation. Notice that the top ten stocks in the MSCI US constitute 36% by weight which is almost three times the equivalent weight for the MSCI EAFE at 13%. An allocation away from the US naturally reduces concentration risk and adds a multiplier effect to the benefits of natural diversification identified above.

FIGURE 2 Percentage of market capitalisation in top 10 stocks January 2025



4. A WIDER ALPHA OPPORTUNITY SET

In this paper, we present strong empirical evidence for active investing over passive investing. That is to say, in order to exceed the minimum required rate of return for the preservation of capital, financial institutions, in particular foundations and endowments cannot rely on average market returns. Over the long-term equity markets have simply not generated sufficient real returns to ensure an adequate sustainable growth rate. Foundations that are required to disburse at least 5% of their capital per annum would not have generated a large enough nominal return to maintain their capital in real terms by relying on the average market return over the last 100 years (*see Figure 16*). In addition to the diversification benefits described above, there is a further impetus to invest in IDMs to search for international alpha, that is, international stocks that earn returns in excess of the market. The likelihood of identifying such opportunities is considerably expanded by researching a much larger pool of stocks outside of the domestic market.

5. CURRENT UNDERVALUATION IN IDMS

IDMs appear to be considerably discounted to US equities in aggregate. Table 1 sets out four valuation metrics that measure in aggregate the extent to which MSCI EAFE equities are undervalued relative to those in the S&P 500. On all measures, it appears that the IDMs are discounted by at least 40%. This discount represents a potential upside to IDM investing. Therefore, the four secular benefits of IDM investing identified above are underpinned by a contemporaneous opportunity premium created by the apparent undervaluation of these markets relative to the United States.

TABLE 1 Valuation metrics January 2025

VALUATION METRIC	S&P 500	MSCI EAFE	EAFE DISCOUNT TO S&P 500
P/E	24.7	14.6	41 %
P/B	4.9	1.7	65 %
P/S	3.1	1.4	55 %
DIVIDEND YIELD	1.3 %	3.2 %	146 %

Furthermore, it will be observed in Figure 15 that the price-to-book ratio for the MSCI EAFE stocks has consistently been undervalued compared to the MSCI World index. The combined effect of the five change vectors discussed in the next section is likely to result in a revision of this relative valuation of IDM, and an increase in allocations to this asset class is worthy of consideration.

We now consider the five key vectors of change.

FIVE CHANGE VECTORS – REVISITED

During Covid in early 2021, we identified five key vectors of change for the global economy, as follows:

1. Geopolitical factors
2. Inflation
3. Regulatory forces
4. Social factors
5. Technological change.[2]

These remain in our opinion the major drivers of markets and will continue to have a significant effect. It is worth revisiting these as some increase in force, others wane and some transform into something else. Nevertheless, we present our thinking as an organising framework. Clearly, the war in Ukraine is a human tragedy which has not only disrupted food and energy supplies, it has shaken confidence in what we thought was an established world order. Political risk has not been a major factor in equity pricing for the last few decades; it is now. A recent survey by UBS shows that 55% of investors rank ***geopolitical*** risk as a top concern.[3] After an initial setback in early 2020, the market recovered from Covid and was above the pre-Covid high in a year. The start of the Ukraine war in February 2022 saw a downturn in equities, and by the end of 2024, these losses had been recovered. As we write this paper, a ceasefire has been proposed, and the new administration in the US is taking positive if unorthodox steps to stop the war. This is a positive force for markets. Paradoxically, markets are reacting negatively, but many factors are at play. The world should emerge from the war soon and there will be a positive stimulus as the rebuild commences. However, the world is now a very different place. Despite the anticipated cessation in hostilities, ***inflation*** is again a significant risk. Central bank balance sheets, as we shall review in the next section, are bloated with limited capacity to exercise further quantitative easing.

US-China tensions together with the Ukraine war have caused much fragmentation and de-globalization, which not only slows world growth with trade tariffs but is highly inflationary for monetary reasons. The Chinese long lockdown has weighed equally heavily on world growth. The combination of these factors has conspired to fuel inflation which has prompted central banks to hike interest rates, and governments to re-programme fiscal policies largely in response to lockdown-induced debt. The re-emergence of inflation is causing central banks some consternation not least because the incumbent Governors have limited experience of high inflation levels not seen in more than a decade. Climate change (net-zero) was gathering momentum as a powerful s***ocial force*** which would have considerable implications for investors, however, these forces are waning.

The single strongest change vector is ***regulation*** in the form of government-imposed tariffs. It is difficult to predict the effects this will have as a new game-theoretic equilibrium emerges in a de-globalised world. We predict macro-divergence, increased inflation and a weaker dollar, all translating into greater equity market volatility. However, we believe that markets will look beyond the transitory impact of the structural changes being imposed by the new US administration. In short, the markets will look to the patient's recovery rather than the short-term, bitter medicine.

Finally, we believe that the ***technology*** vector will once again resurge. Technology has been the main spring of US returns for the last fifteen years and is concentrated in a small number of firms. New technologies including machine learning applications could increase productivity and reinvigorate the world economy.

We argue that 2025 is a pivotal year for markets and as international equities begin the road to recovery, IDM equities are well placed to re-emerge from the doldrums of the last decade. Now is the time to consider a review of allocations to IDM. The five change vectors are likely to ensure that markets will not revert to the *status quo ante bellum*.

IDM Investing
The EAFE opportunity set

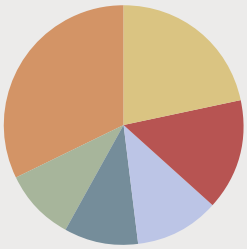


CHART 1 Country weights - MSCI EAFE (USD)

- JAPAN
- UK
- FRANCE
- SWITZERLAND
- GERMANY
- OTHER

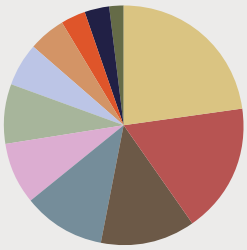


CHART 2 Sector weights - MSCI EAFE (USD)

- REAL ESTATE
- UTILITIES
- ENERGY
- COMMUNICATION SERVICES
- MATERIALS
- CONSUMER STAPLES
- INFORMATION TECHNOLOGY
- CONSUMER DISCRETIONARY
- HEALTHCARE
- INDUSTRIALS
- FINANCIALS

In this whitepaper, we focus on the International Developed Markets (IDM) which we define as the twenty-one countries included in the MSCI EAFE index, however, we do not restrict our definition to the specific stocks included in that index, but rather the full set of stocks in each of those markets listed by region below. This grouping of countries, geographically diversified, operating twelve different currencies represents a rich opportunity set for the international investor.

The appendix to this paper (page 31) reports some relevant economic statistics for these countries and compares them as a group to the United States. The data reveal some interesting perspectives that are relevant to international investment policy. It is instructive to consider the US as an opportunity set and the combined EAFE countries as a counterpart. The population of the EAFE countries is close to 597 million compared to 343 million in the US, so combined, they are home to close to a billion people. Note that the last row in the table in the appendix reports the relative scale of EAFE to the US for each metric. In the case of population, EAFE is 1.74 times larger. The two areas have an almost identical GDP rounded to US$28 trillion, each representing 26% of the World's GDP. Therefore, combined, they represent more than 50% of the world economy. Furthermore, there are approximately the same number of listed stocks in each set and 1,541 (41%) of the EAFE country stocks are traded as US securities in the form of ADRs in the United States. However, the undervaluation referred to above is evident when one observes that the total market capitalisation (M.Cap) of the IDM countries is only half of that of the US at US$29.7 trillion and US$57.6 trillion, respectively. The M.Cap/GDP ratio reflects a similar discount of 1.05 and 2.08, respectively. This may be considered as an economy's price-earnings ratio, and it suggests considerable upside potential in the IDM. Interestingly, the last column of the table reports market capitalisation per capita, which in the combined IDM countries is less than one-third of that of the US at just under US$50,000 per capita versus US$168,000 in the US.

EUROPEAN UNION (EUR)	EUROPEAN UNION (NON-EURO)	EUROPE OTHER	MIDDLE EAST	PACIFIC
AUSTRIA	DENMARK (DKK)	NORWAY (NOK)	ISRAEL (ILS)	AUSTRALIA (AUD)
BELGIUM	SWEDEN (SEK)	SWITZERLAND (CHF)		HONG KONG (HKD)
FINLAND		UK (GBP)		JAPAN (JPY)
FRANCE				NEW ZEALAND (NZD)
GERMANY				SINGAPORE (SGD)
IRELAND				
ITALY				
NETHERLANDS				
PORTUGAL				
SPAIN				

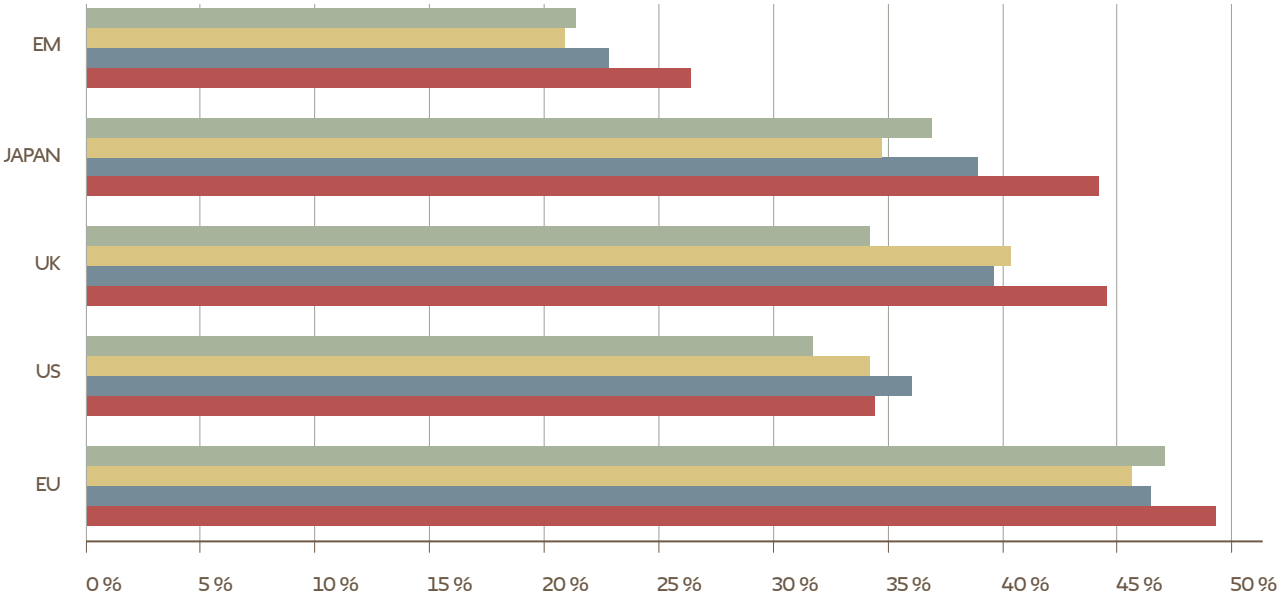
FROM MACRO-CONVERGENCE TO MACRO-DIVERGENCE

The change vectors referred to above are effectively acting as the great equaliser of markets as reflected in the collective recent performance. We provide a broad *tour d'horizon* of the macro trends and current status of IDM against the key markets to review the resilience of the markets to the changes ahead. Two areas are considered; government finances and selected economic indicators. Interestingly over the last 24 years, there has been some macro convergence in the various economic metrics of different regions. However, we are likely to be entering a period of significant macro-divergence as trade wars are heating up - all of which adds to the increasing volatility currently observed in the asset markets, strengthening the case for diversification.

1. GOVERNMENT FINANCES, FISCAL & MONETARY POLICY

Most developed market countries have experienced a significant increase in government expenditure as a proportion of GDP, whereas the emerging markets (EM) on average have not. Figure 3 shows the development of government expenditure to GDP (%) over the last twenty-four years, showing the value at the start of the millennium, in 2007 immediately before the great financial crisis, in 2019 immediately before the Covid lockdown and in 2023, the most recently available data. In the case of EM, the metric has remained in a tight range in the low 20s for the whole period, whereas the US and the UK have seen an increase from around 30% in 2000 to approximately 45% in 2021. In 2020 these exceeded 50% (not reported), which is now the case in the EU. Japan has shown a more moderate growth from a higher base. In cases where the government accounts for half the economy the auguries for growth are not good and in this respect, EM are better placed for future growth. All markets except the US experienced a significant increase in government expenditure to GDP which reflects the continuing deleterious effects of the Covid lockdown. The increase in government expenditure/GDP, moderate and otherwise, has had consequences for government deficits and debt for most countries but less so for EM. These two metrics are reported in Figures 4 and 5, respectively, for the same periods as in Figure 3.As highlighted in the previous section the new US administration is likely to reduce the proportion of government expenditure to GDP through the operation of the newly formed Department of Government Efficiency (DOGE) led by Elon Musk. The stated aim is to reduce government debt, which is currently more than US$36 trillion, reduce taxes and stimulate growth. This may take some time to be realised fully.

FIGURE 3 Government expenditure/GDP 2000 to 2023



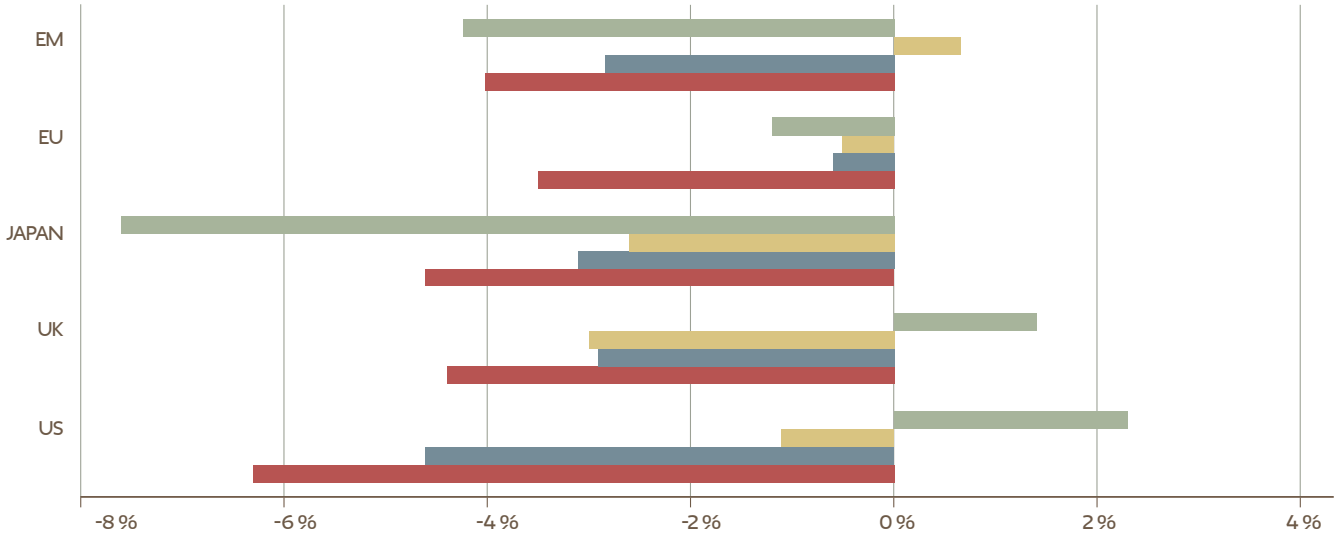


FIGURE 4 Government deficit/GDP 2000 to 2023

2000
2007
2019
2023

Figure 4 reveals that EM on average have not experienced a significant increase in deficit spending in sharp contrast to the developed markets that have seen large increases. The UK and US went from a small surplus of 1.4% and 2.3% of GDP, respectively, in 2000 to massive deficits of 5.7% and 16.7%, respectively, in 2021 (not reported). These have reduced slightly to 4.5% and 6.4% in 2023. The inevitable tax burden implications could slow growth in the developed markets in the years ahead. Again, as mentioned, DOGE actions in the US are designed to pare back the deficit.

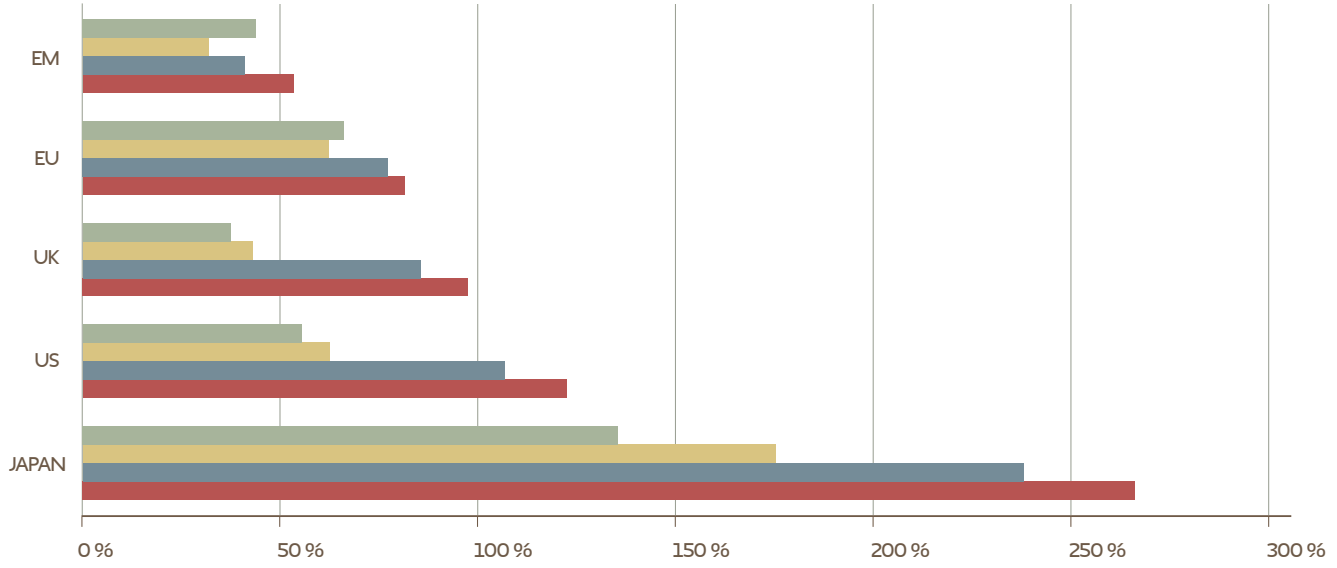


FIGURE 5 Government debt/GDP 2000 to 2023

2000
2007
2019
2023

Figure 5 reveals that there has also been a significant increase in government debt in the developed markets to a far greater extent than in EM. The state of government debt in the US and the UK is again burdensome for future tax policy and not only inflationary, as the problem will be exacerbated by the increasing cost of servicing the debt as interest rates rise. The influence of Germany on the EU average of 70% hides the fact that many of the larger EU economies have a debt/GDP well above 100%. Clearly, the central bankers had to increase rates for this reason which will have unavoidable consequences. In the US the percentage of

debt to GDP has gone from 55% in 2000 to a staggering 140% in 2021 (not reported), currently, it is 125%. Japan continues to struggle with the magnitude of government debt and Japan's dismal growth record is well chronicled. The UK debt levels are causing unprecedented increases in taxes which are at their highest level in seventy years. Again, a poor indicator for growth. Finally, turning to monetary policy it will be seen in Figure 6 that central banks have shown little restraint with respect to quantitative easing (QE) which has resulted in central bank assets (which are really liabilities since they hold government debt) in aggregate increasing tenfold from US$3.8 trillion to US$39 trillion. Although most central banks have deployed meaningful interest rate policies in recent years to manage inflation.

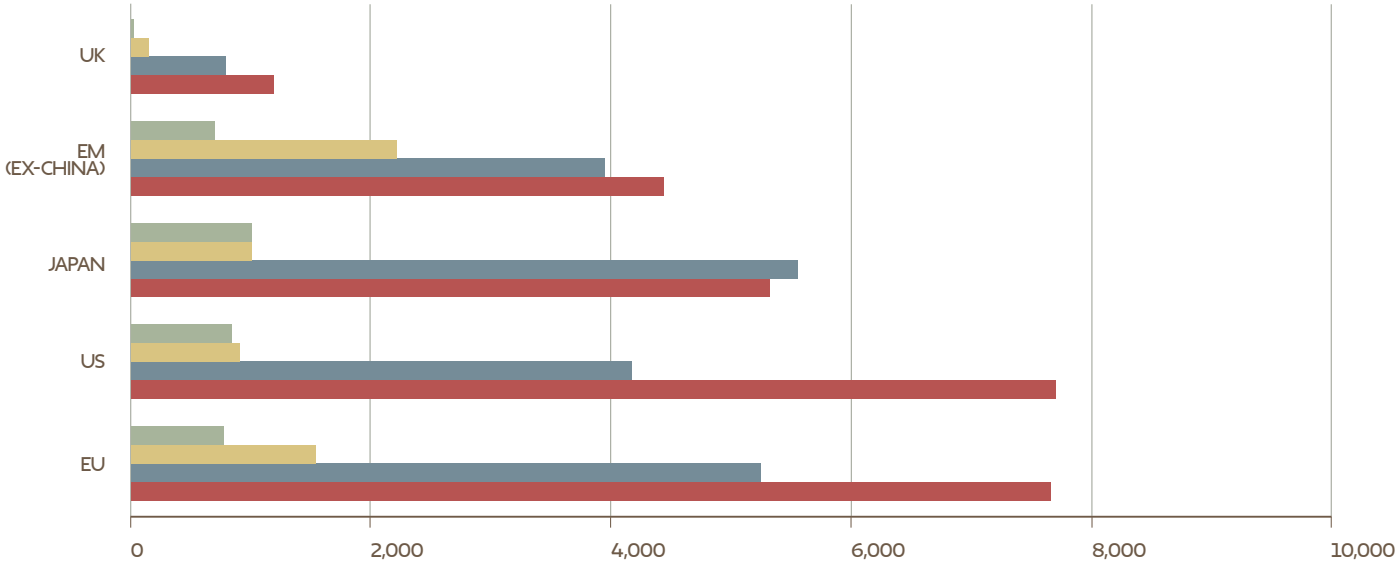


FIGURE 6 Central bank assets (US$ Billion)
2000 to 2023
2000
2007
2019
2023

Figure 6 presents these data for the same periods as the previous charts. This phenomenon has appeared in two waves, firstly in the aftermath of the financial crisis and then in the aftermath of the Covid lockdown. Although central bankers prefer not to define QE as printing money, it has the same consequences. The alternative tool to contain inflation *viz.* interest rate increases, is likely to be amplified by a necessary reversal of QE as the central bank balance sheets deflate. A process that has begun in the US without great publicity. The QE culprits have been the developed markets and China. Most EMs do not have this sword of Damocles hanging over them as the spectre of global inflation looms again. This brief review of fiscal and monetary policies shows that at a time of increasing inflation and rising interest rates EM are in a surprisingly stronger position to withstand the conditions than the developed markets and generally speaking the EM central banks have been rather nimbler at responding to the changed inflation expectations.

2. SELECTED ECONOMIC INDICATORS

Emerging Markets have on average held increasing reserves relative to GDP. Figure 7 shows the evolution in reserves as a percentage of GDP for EM against the US and the UK, among others. EM hold on average 25% of GDP in reserves compared to 3.5% and 5.2% for the US and UK, respectively. Another metric which shows that EM are resilient and not as badly off as current equity levels might suggest. Foreign reserves are of course accumulated through current account surpluses.

FIGURE 7 Total reserves/GDP
2000 to 2023

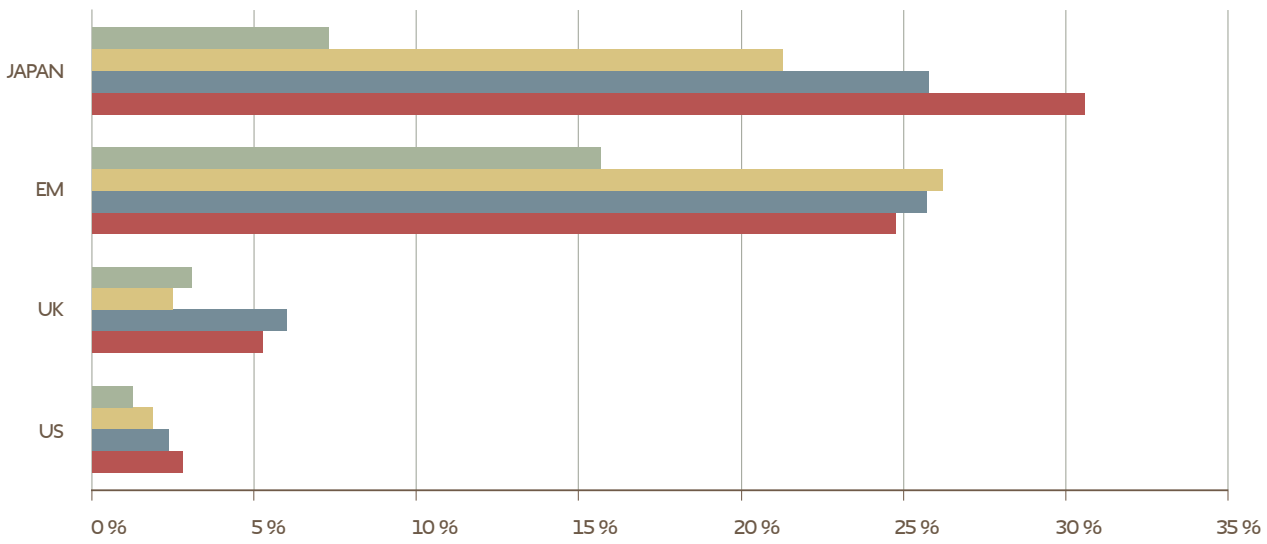


Figure 8 shows that EM and IDM have on average enjoyed current account surpluses in contrast to the UK and US which have current account deficits. The EM have enjoyed surpluses in recent years, but these have sharply narrowed. The IDM represented by Japan and the EU have enjoyed a strong trade balance, which is of course much to the chagrin of the US. It is unclear whether these surpluses will continue in the context of US tariffs and increasing energy costs.

FIGURE 8 Current account/GDP
2000 to 2023

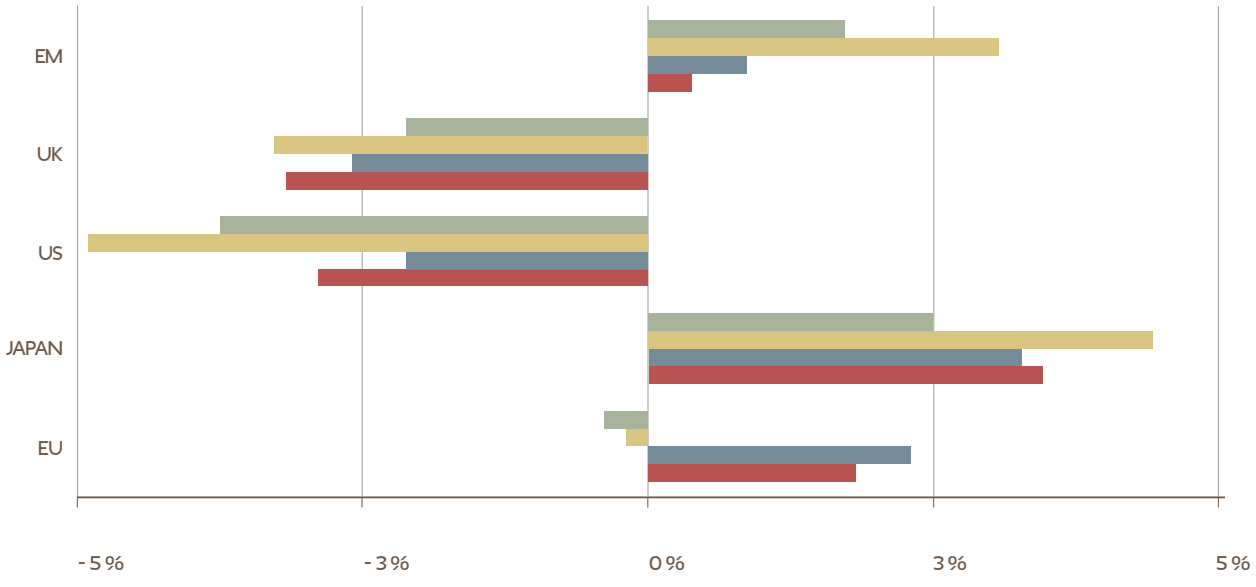


Figure 9 shows the change in the current account from 2000 to 2023 for selected countries. The IDM represented by Japan and the EU have enjoyed a significant increase over the observed interval.

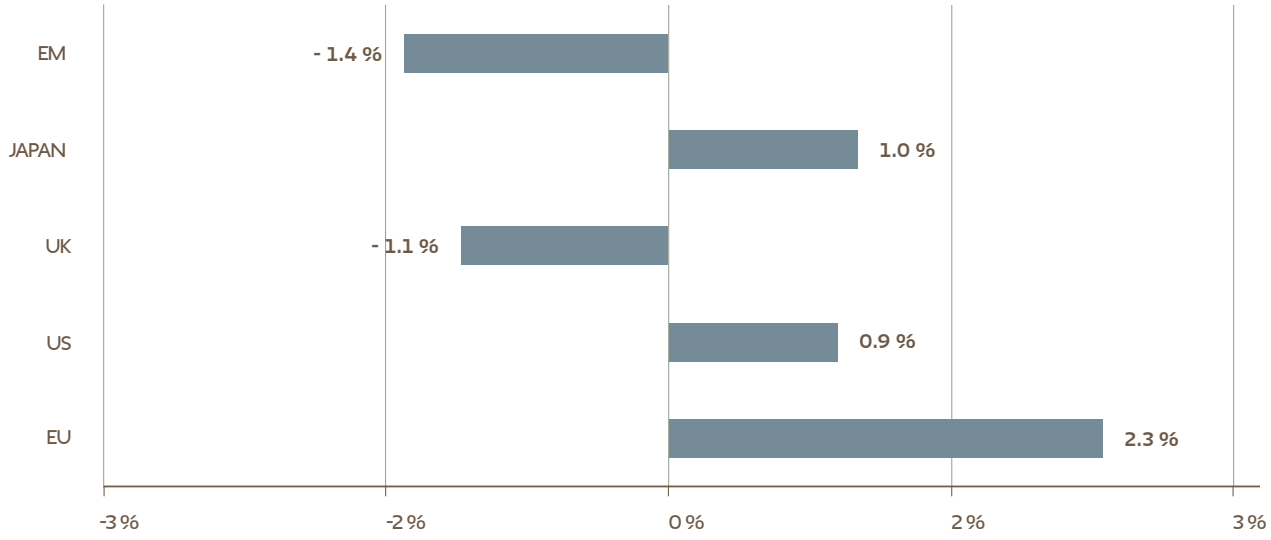


FIGURE 9 Changes in current account/GDP 2000 to 2023

In order to provide more detail, Figure 10 provides a chart of the relationship between government deficit/GDP (%) against current account/GDP (%) for selected countries and regions. This graphic is surely the one that President Trump is concerned about. The IDMs of Japan, Germany and the EU as a whole have strong current account (trade) surpluses and modest government deficits. EM in aggregate enjoy a small trade surplus and increasing government deficits. The US and the UK by strong contrast have both large trade and government deficits. The tariff regime imposed by the US is designed to cause a convergence in this chart to a greater balance among the various economies. It will be a hard-fought struggle. The IDMs, except for the UK, are in extremely good form on these measures, again strengthening the case for diversification into IDMs. An asset class that is likely to do extremely well in the new world order is the Jakota grouping of Japan, South Korea and Taiwan. On average, these exhibit the strength of Germany's trade surplus and fiscal constraint. Certainly a grouping worth considering as part of an international diversification strategy.[4]

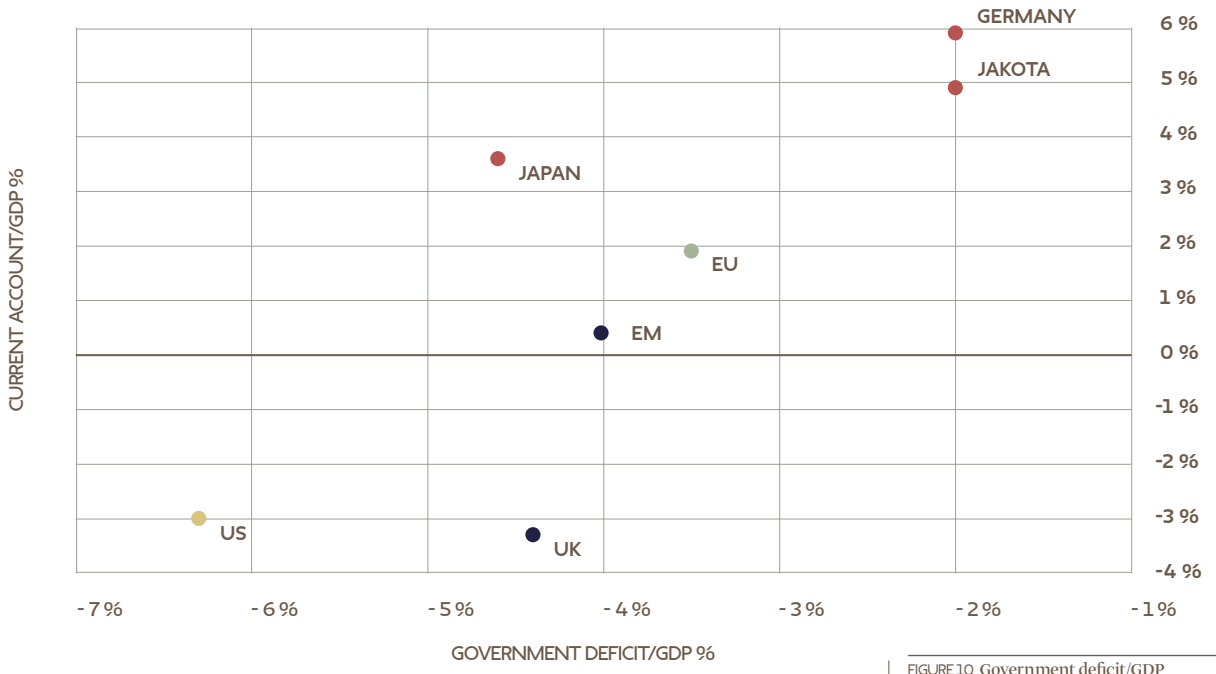


FIGURE 10 Government deficit/GDP versus current account/GDP 2023

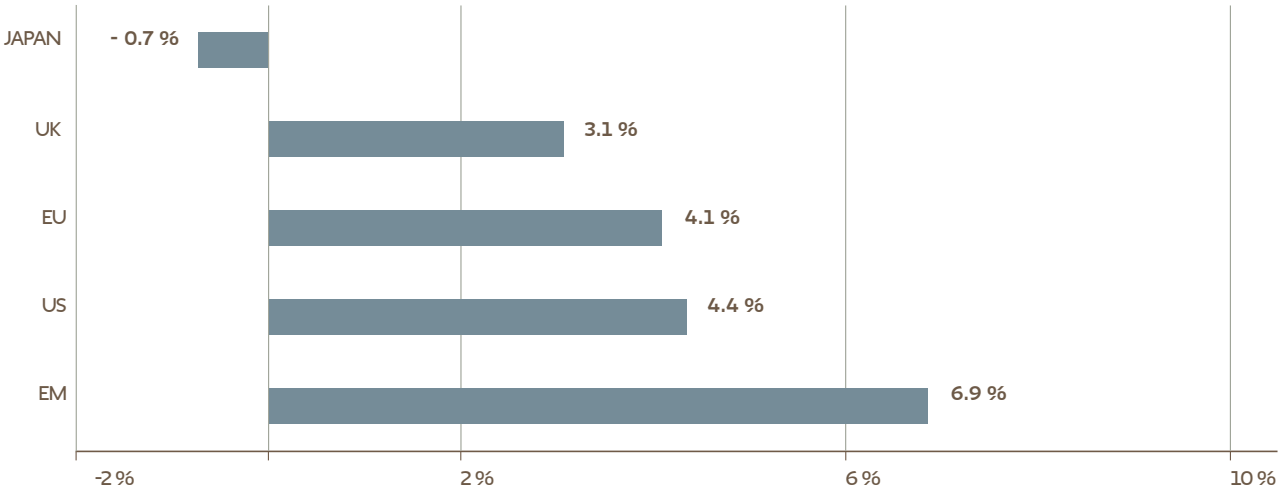


FIGURE 11 Annualised GDP growth 2000 to 2023

Finally, the dominance of EM with respect to growth in GDP versus developed market countries is illustrated in Figure 11 which shows the annualised growth in GDP from 2000 to 2023. The EM average is 6.9% which is more than double the UK and 57% greater than the US. The real benefit of higher growth, in the coming decade of higher interest and inflation rates will be the flexibility it provides EM countries to manage their debt/ GDP ratios and pay down their debt, in sharp contrast to the developed world.

POLUNIN INVESTMENT PHILOSOPHY

Polunin's approach is rooted in the belief that markets are inherently cyclical. The disciplined, objective exploitation of market cycles offers significant outperformance opportunities combined with a return pattern that deviates from the market and complements the performance characteristics of other investors whilst offering valuable diversification benefits. The investor herding behaviour which gives rise to market cycles is best exploited using valuation disciplines that ignore the market noise, combined with a willingness to make contrarian decisions, often at key market turning points. Polunin uses valuation tools based on Replacement Value and other proprietary financial metrics which, in combination, pinpoint high and low points in global sector valuations and offer reliable entry and exit point signals for dozens of individual industries. The same analysis also highlights which companies are valued at significant discounts to the industry average and are good candidates for reversion back to the median valuation. By investing in a disciplined manner at the correct point in the cycle, in sectors unloved by the crowd and in a highly diversified portfolio of companies that are objectively discounted relative to their industry peers, Polunin portfolios aim to generate long term outperformance from mispriced, compelling recovery opportunities.


BELGIUM
NORWAY
SWEDEN
FINLAND
NETHERLANDS
DENMARK
GERMANY
AUSTRIA
ITALY
ISRAEL
JAPAN
HONG KONG
FRANCE
SWITZERLAND
SINGAPORE
AUSTRALIA
NEW ZEALAND

PERFORMANCE REVIEW – RISK, RETURN AND CORRELATION

1. A GAME OF TWO HALVES

Figure 1 reports the performance of both the S&P 500 and the MSCI EAFE index over the twenty-five-year period from January 2000. It is clear from the presented series, both indexed to 100 at the start of the interval, that EAFE dominates in the first period, and then the S&P 500 catches up and overtakes the EAFE index around 2017. Thereafter, the gap widens so that on a cumulative basis over the full period, the value of the S&P 500 is almost double that of the EAFE.

In order to analyse the differential performance in more detail Figure 12 presents the performance data in a slightly different format to reveal some important insights. Three series are presented where the EAFE index is set to a value of 100 throughout to act as a benchmark. The S&P 500 and the S&P 500 (ex-Mag 7) are each presented as an index relative to the MSCI EAFE index.[5] The chart is interpreted as follows; all measures are taken relative to the EAFE index which is shown as a constant value of 100, for the other series therefore a rising chart signifies a performance better than the EAFE benchmark and the converse indicating a worse performance. The value of an index at any point represents the cumulative relative performance against the EAFE since January 2000. A value below 100 indicates a return less than EAFE and vice versa. The charts give no indication of the absolute return on any of the indices.

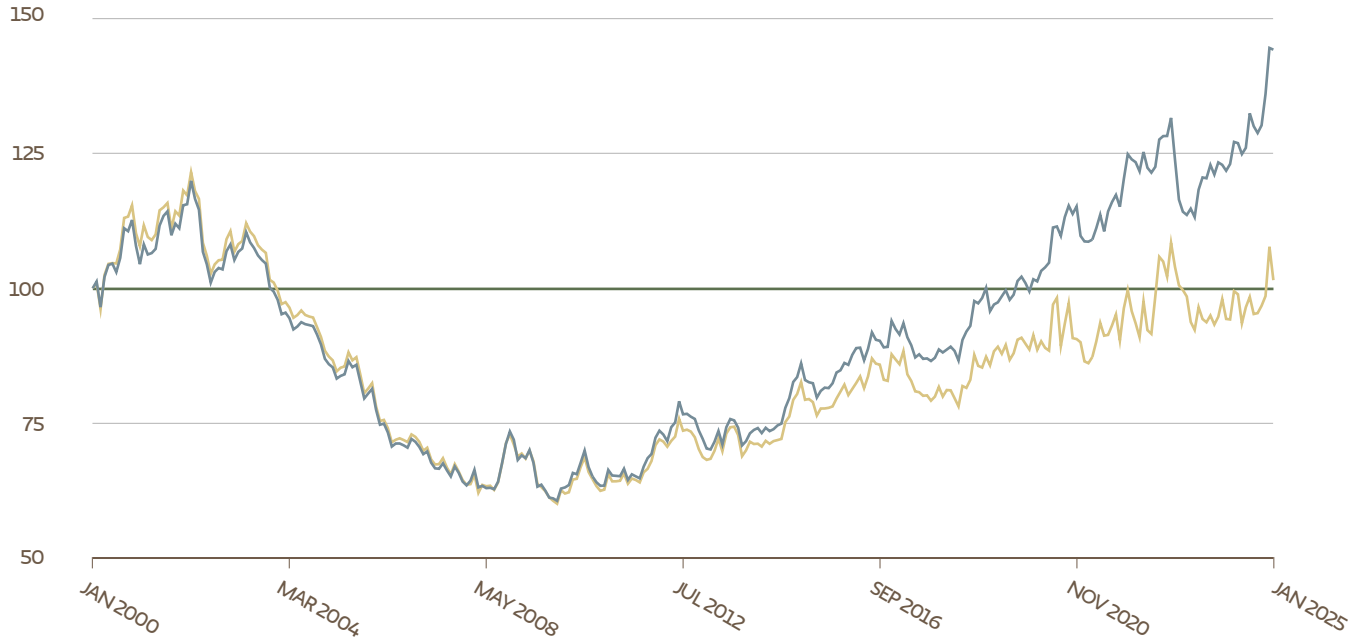
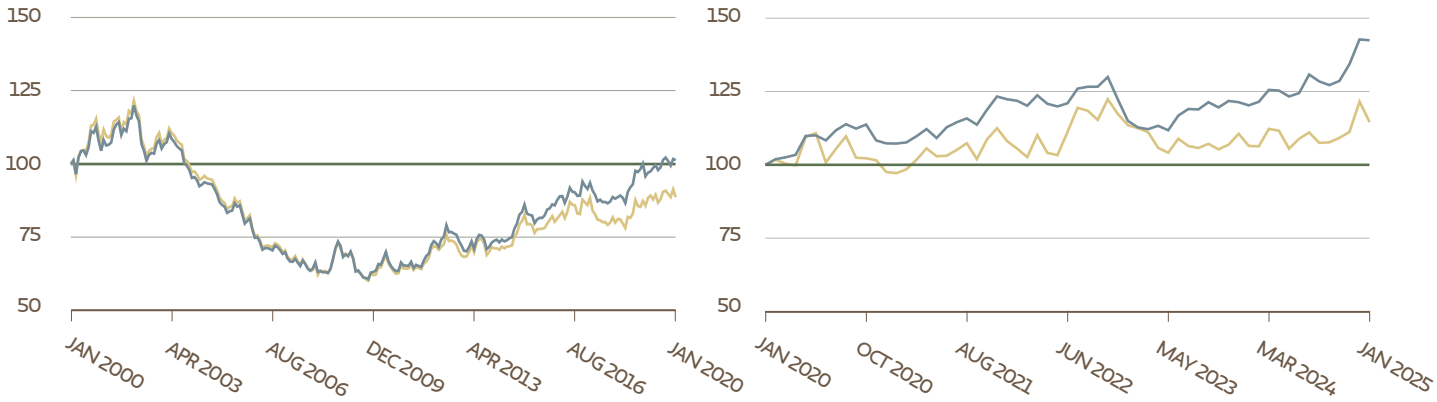


FIGURE 12 IDM relative equity market performance January 2000 to January 2025

- S&P 500
- MSCI EAFE
- S&P 500 EX-MAG 7

There are several important observations to be made on these data. Firstly, EAFE outperformed the other two consistently from 2004 to 2012, including through the great financial crisis of 2008. Thereafter, both S&P indices outperform EAFE. Secondly, notice that the S&P 500 eventually makes up the relative deficit against the EAFE in 2020. Thirdly, notice that on a cumulative basis, EAFE and S&P 500 (ex-Mag 7) are almost the same at the end of the period. Finally, another feature of the two halves is the way in which the two S&P indices are almost identical until 2016, thereafter, the S&P 500 significantly outperforms its counterpart without the Mag 7. This analysis reveals how almost all the difference between EAFE and the S&P 500 is due to only seven stocks and, furthermore, that any outperformance beyond the Mag 7 is time-specific.

Clearly the world was a different place in the second half driven chiefly by an era of very low interest rates, no inflation and unprecedented quantitative easing by most central banks. These indicators were highlighted in the previous section and account for a strong dollar which boosted US equities in comparison to IDM.



The two charts in Figure 13 examine the two periods separately. The first period is from January 2000 to January 2020 when the S&P 500 equals the EAFE. The second period resets the S&P indices back to 100 in January 2020 and reports the new series until January 2025. This illustrates the key points made above.

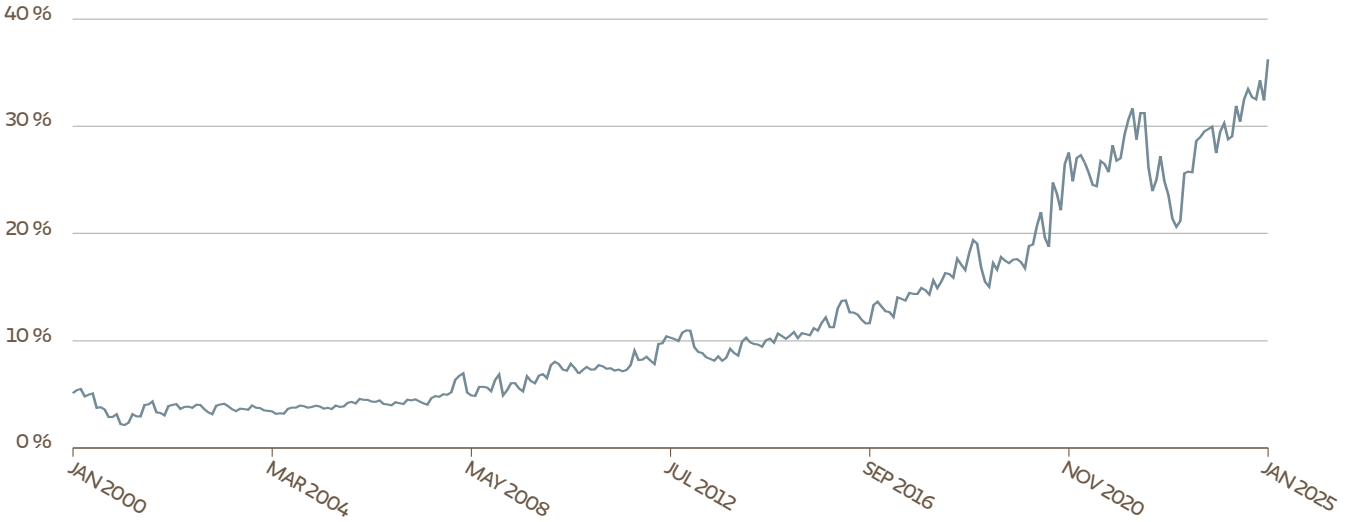
The extraordinary impact of only seven stocks highlights the extreme degree of concentration in technology stocks in the S&P 500. Figure 14 presents a time series of the percentage of the S&P 500 market capitalisation constituted of the *Magnificent 7* over the last 25 years. The period starts with a value of 5% and terminates at a staggering 36%. As the *Magnificent 7*'s value increase began to impose itself on the index once above 15%, the gap increased between the EAFE performance and the S&P 500 as reported above. The degree of concentration has meaningful implications for portfolio policy. There is a danger of recency bias by assuming the most recent past will repeat. We argue that the last dozen years are actually an aberration and that the dominance of the Magnificient 7 and a strong dollar may not persist in the next five years.

FIGURE 13 IDM relative equity market performance January 2000 to January 2020 & January 2020 to January 2025

- S&P 500
- MSCI EAFE
- S&P 500 EX-MAG 7

FIGURE 14 Mag 7 % of S&P 500 by market capitalisation January 2000 to January 2025

- MAG 7 (% S&P 500)



2. CURRENCY RISK ANALYSIS

Currency uncertainty is an integral part of IDM investing. Clearly, dollar-based investors subject every dollar of their investment to both local equity market risk and the risk of adverse changes in the bilateral exchange rate between the dollar and the local currency. Figure 15 summarises the net currency effect a US investor who invested in the MSCI EAFE in 2000 would have experienced.

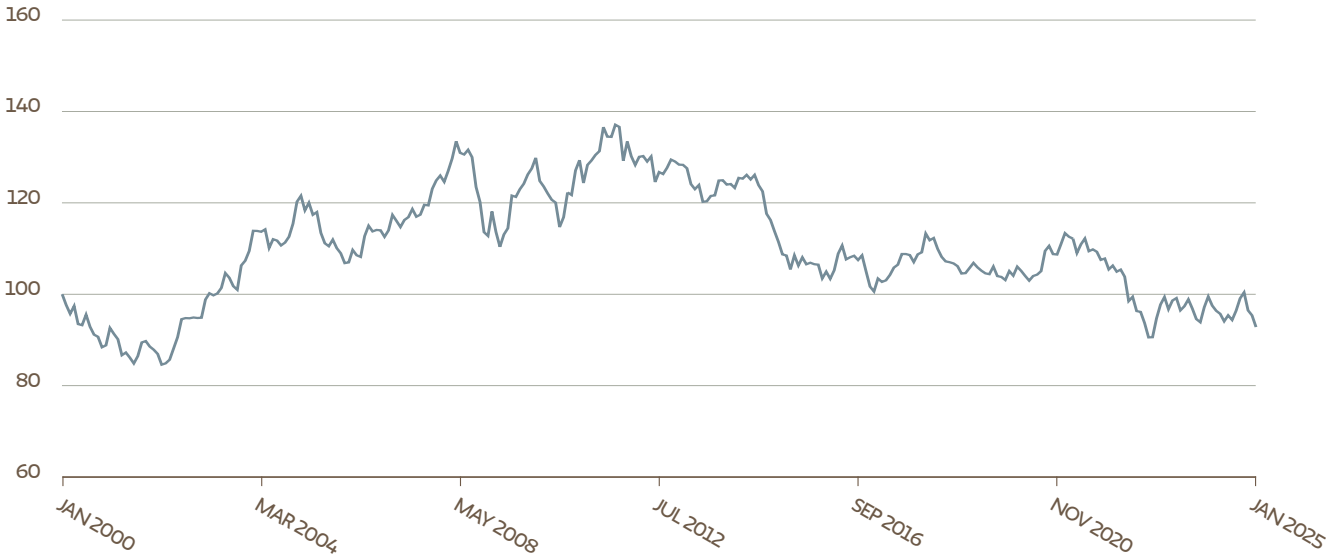


FIGURE 15 EAFE net currency exposure to the US$ January 2000 to January 2025

EAFE CURRENCY BASKET VS. US$

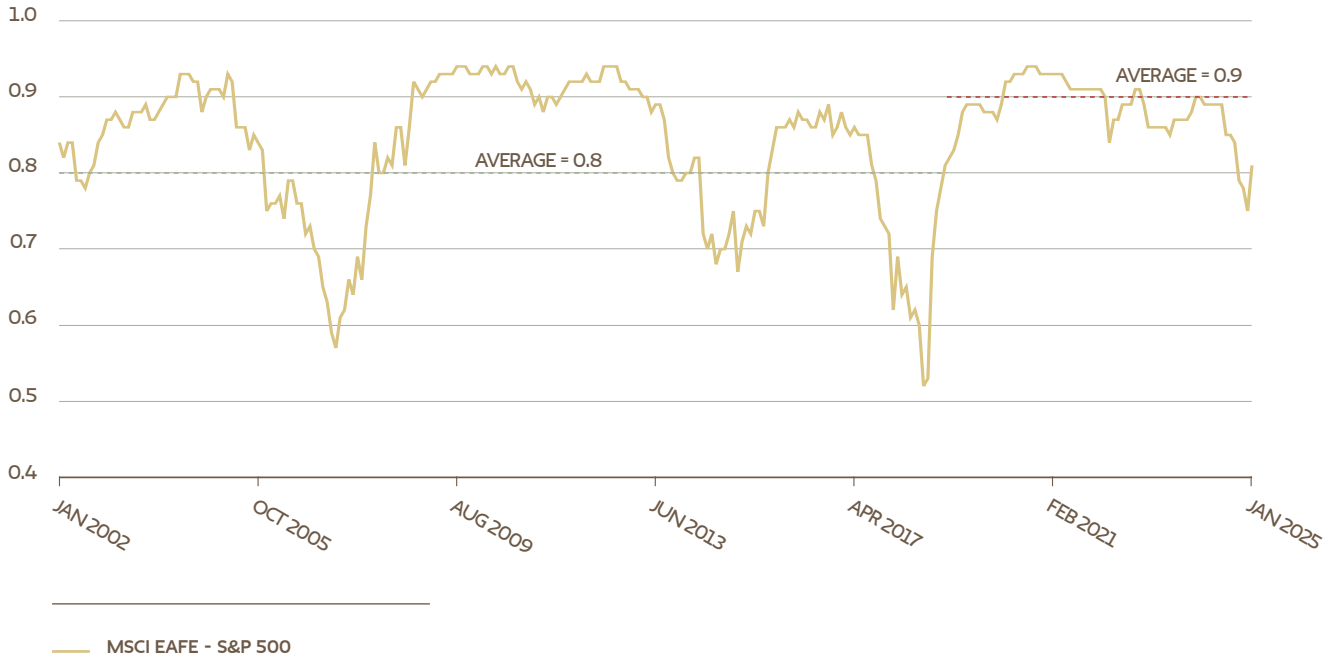
Again, it is clear that currency has been a contributor to the differential performance between the S&P 500 and the MSCIw EAFE index for the last twenty-five years. In the first decade, the dollar was weakening which improved performance on international assets. However, in the last fifteen years, the trend has been in the opposite direction. With an increasing value of the dollar, the returns on international assets have been reduced. Interestingly, the volatility in the net currency effect is not great in comparison to the volatility in the underlying equity market returns, and the cumulative effect has been close to zero. The empirical evidence suggests that the marginal impact of currency risk in investing in IDMs is minimal, and there are three costless ways of mitigating the currency risk in all international investments. Firstly, there is an integral effect which derives from the fact that the exchange rate returns are not perfectly correlated with the local equity markets, so the fully hedged position would have a hedge ratio of less than 100% - much of the currency risk is diversified and therefore should not be hedged in duplicate. Secondly, as a corollary to the first point, some local firms benefit directly from a weaker currency which means in formal terms the correlation referred to is negative – so not only is the currency risk removed, but elements of the local equity risk are eliminated too. This we call a natural hedge. Finally, the third mitigation is to diversify across currencies. The EAFE index has benefited considerably from currency diversification across twelve different currencies. In summary therefore the need for hedging instruments in IDM investing is costly and does not reduce volatility since forward rates (futures) exhibit the same level of volatility as the spot rates – in short, it is a futile exercise. There is a case to be made for using hedging instruments if there is a known date of disinvestment and it may be sensible to remove the short-term uncertainty. Currency risk needs to be taken seriously, however, the empirical evidence suggests that it should not be an insurmountable barrier to IDM investing for institutional investors. Finally, as pointed out earlier the continuing strengthening of the

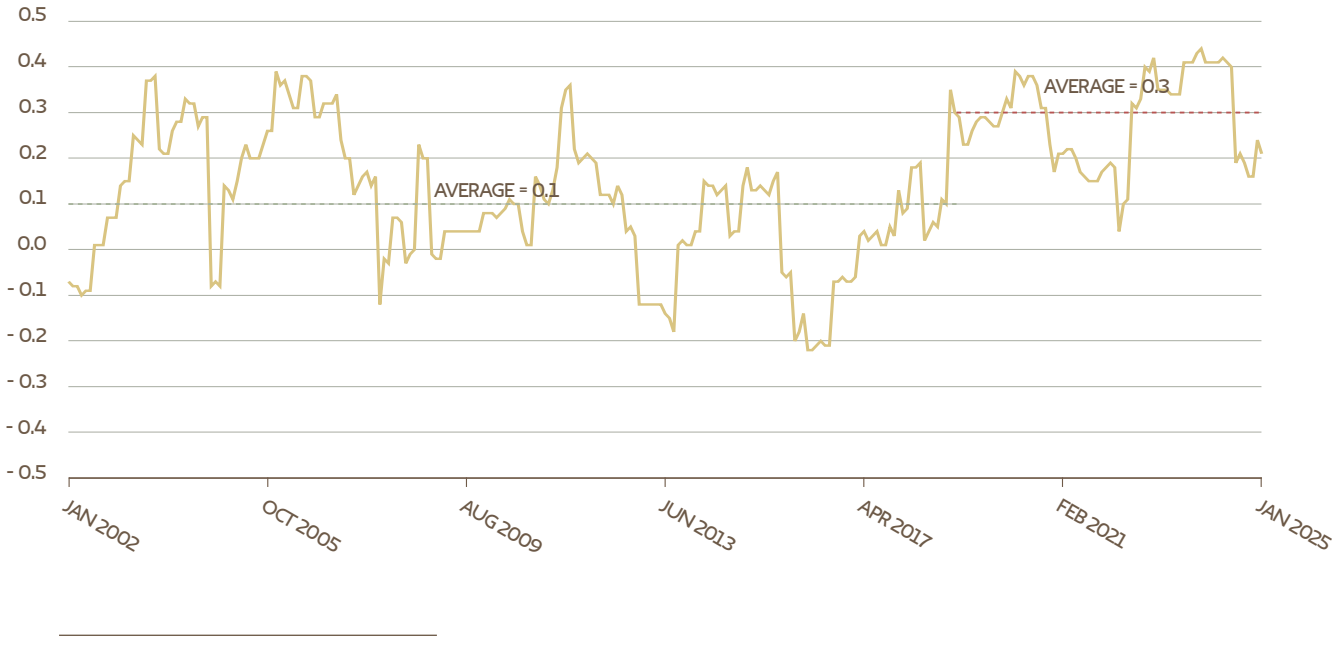
dollar is unlikely in the new economic order and international investing may add a slight premium as the dollar weakens.

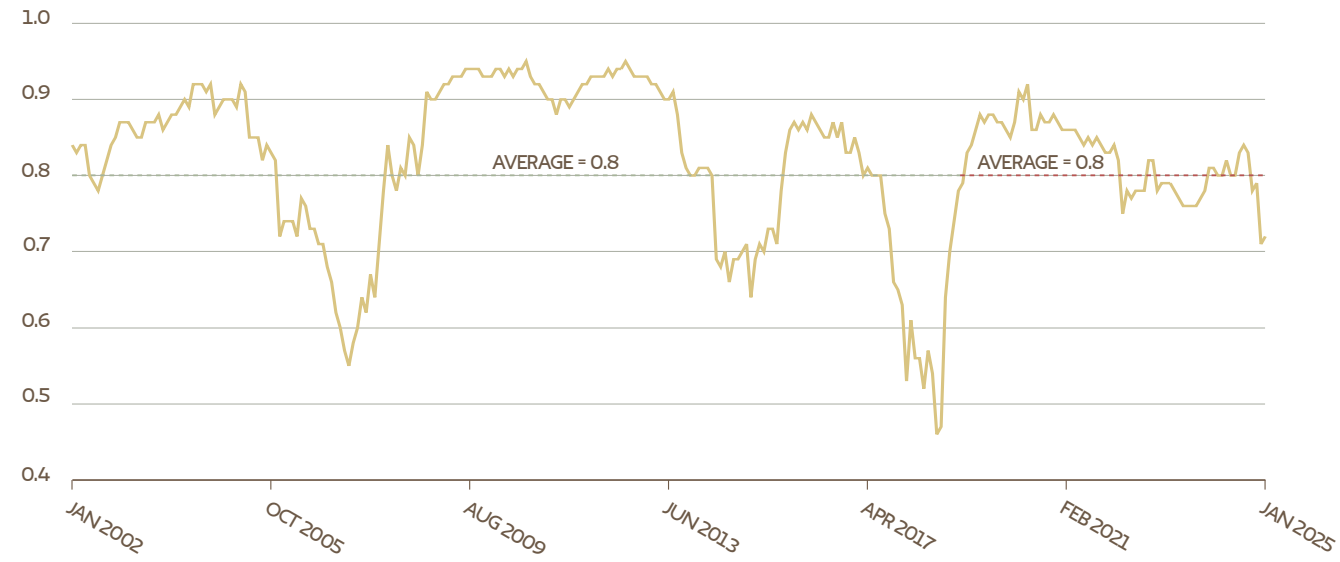
3. CORRELATION ANALYSIS

An important consideration in determining asset allocations is an understanding of the covariance structure of the underlying opportunity set. That is to ask, how correlated are the asset classes likely to be in the future to the extent that assets exhibit a high pairwise correlation or co-movement. Investing in assets that move together does not reduce risk, at worst, it exacerbates or, at best, duplicates the effect of common factors. Ideally, an investor seeks out assets that have low correlations and thereby remove risk. Figure 15 presents four different pairwise correlation charts for the last 25 years.

FIGURE 16 CORRELATION ANALYSIS 24-MONTH ROLLING CORRELATION (2000 TO 2025)







MSCI EAFE - S&P 500 EX-MAG 7

S&P 500 EX-MAG 7 - MAG 7

These charts reveal a great deal about the covariance among stock markets and sectors. Firstly, observe the correlation between EAFE and the S&P 500. The twenty-four-month rolling average in pairwise correlation ranges between 0.6 and 0.9, averaging 0.8 in the first twenty years and 0.9 in the last five years. This reflects a globalised world where similar factors affect all economies at least in the same direction, if not to the same extent. As the world becomes de-globalized, we can expect to see the correlations reduce. The historical levels are adequate to support diversification internationally as the markets are not perfectly correlated. However, the case for diversification will become more compelling in the coming years. Let us now compare EAFE to the S&P 500 (ex-Mag 7) index on the facing page. There is a very similar pattern with an average of 0.8. This suggests that the correlation between the S&P 500 and EAFE is not being driven by the *Magnificent 7*. Turning now to the correlation between EAFE and the Mag 7, we observe an extremely low correlation, not statistically significantly different to zero. This suggests a very powerful diversification potential. As a US-based investor that has a concentration in technology stocks, a diversification into EAFE would have a favourable impact on portfolio volatility. Similarly, on the facing chart, we observe the equivalent correlation between the S&P 500 (ex-Mag 7) and the Mag 7, again an almost zero correlation and even slightly negative.

The correlation analysis lays bare the fact that EAFE represents a very effective substitute for the S&P 500 (ex-Mag 7). Especially in light of the persistent undervaluation of EAFE versus the other regions, as reflected in Figure 17. The average price-to-book of the MSCI EAFE stocks is compared to the MSCI World for the last twenty-five years. Clearly, it shows that EAFE stocks are undervalued persistently, with the current ratio being double for the MSCI World stocks. The average price-to-book ratio for EAFE is 1.75 against 3.5 for the MSCI World stocks.

This discount represents a latent return premium as prices equilibrate.

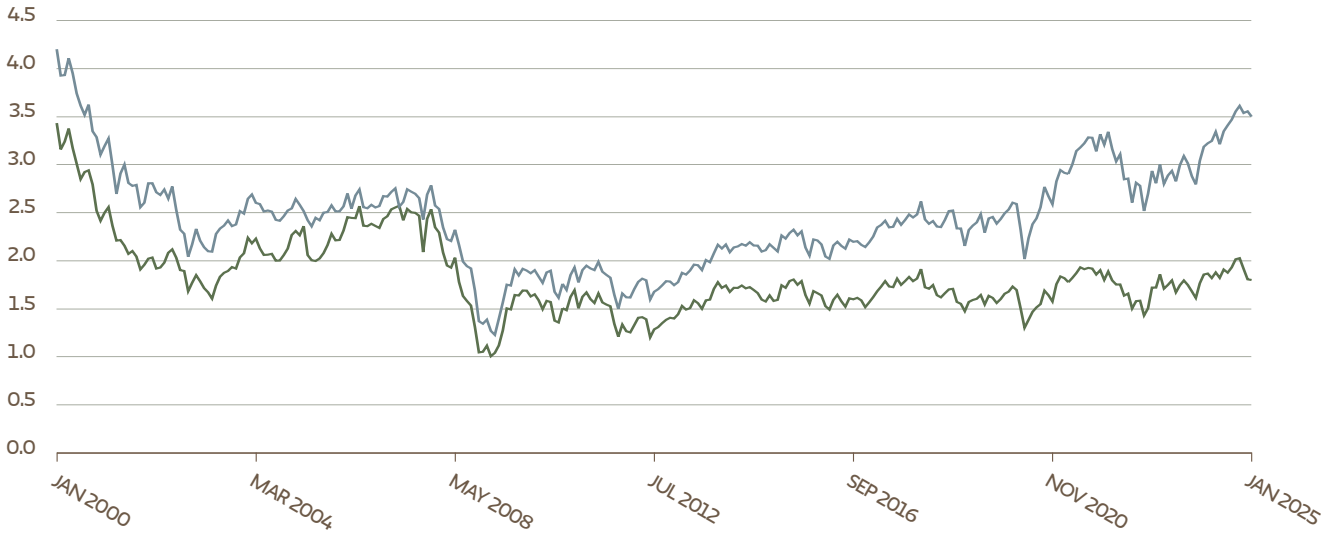


FIGURE 17 IDM price-to-book ratio
January 2000 to January 2025
MSCI WORLD
MSCI EAFE

SEEKING ALPHA THROUGH THE CYCLE

1. THE LONG-TERM EVIDENCE FOR ACTIVE INVESTING

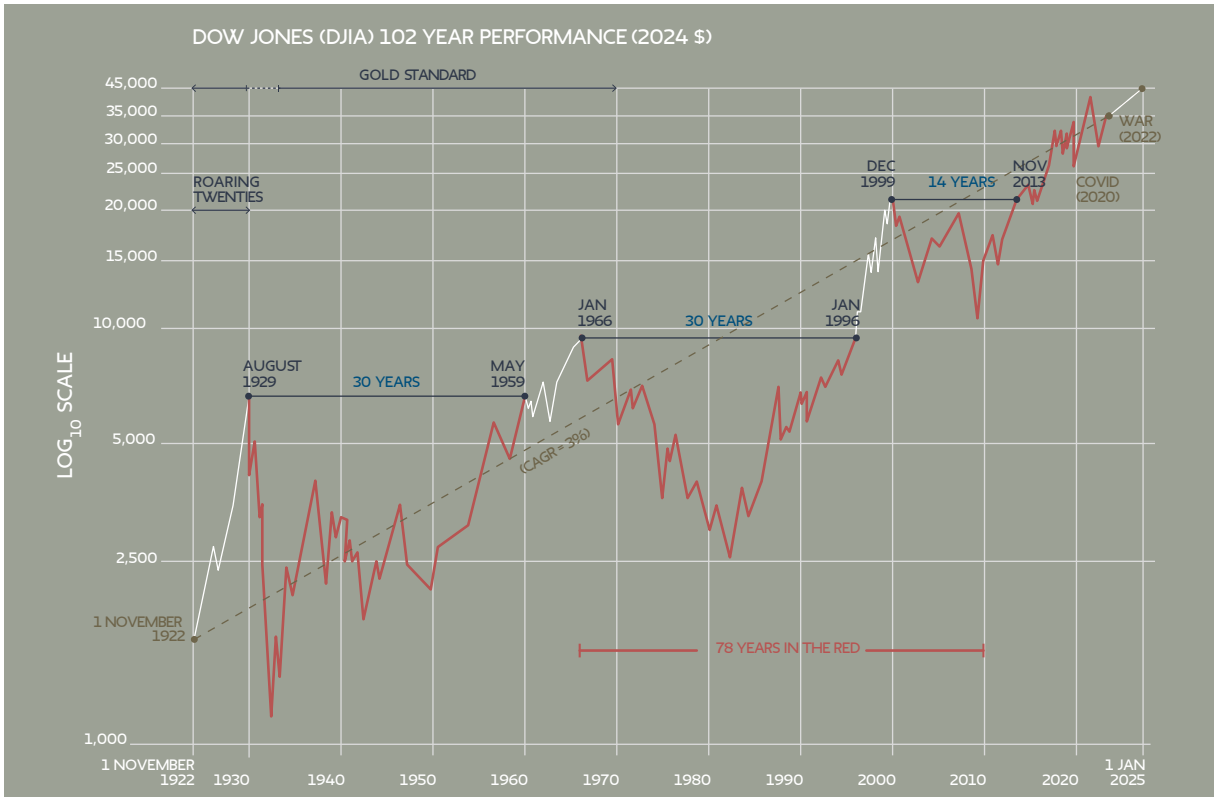
The evidence for international investing is compelling, especially in the new world order of trade wars and de-globalization. The analysis so far in this whitepaper has focused on international investing in the aggregate and, therefore, applies to both passive and active investing. Passive investing refers to the practice of investing in a broad index or a proxy for such and conversely active investing seeks a return above the market measured as alpha.

A brief comment on passive investing versus active investing: the investment industry has seen a marked shift over the last two decades out of active into passive funds. The proportion of institutional equity investments in active management, though still around 50%, is down from 80% five years ago. In the last year, there has been a massive outflow from active funds into passive funds, especially exchange-traded funds (ETFs). In 2023, US$360 billion flowed into ETFs, followed in the first two months of 2024 by another US$131 billion. This phenomenon has been dubbed "flowmageddon" by Morningstar. Passive funds offer diversification on the cheap – and so they should because passive managers' efforts deliver very little in the way of excess return.

The minimum investment objective of a financial institution, such as an endowment or foundation, is surely to preserve capital in real terms. Given that the foundations are required to distribute at least 5% in grants every year, the return target, simply to stand still in real terms, is 5% plus inflation plus a risk premium. That is a daunting challenge and one that requires risk to be approached in a particular way.

Observing the performance of stock markets over the last 102 years is instructive. Figure 18 shows the performance of the Dow Jones Index from 1 November 1922 to 1 January 2025. In nominal terms, the value of the index has gone from 95 to 42,500. In order to interpret the data meaningfully, they are presented on a logarithmic 10 scale in constant 2024-dollar terms.

FIGURE 18 Figure 18 Dow Jones (DJIA) 102-year performance (US$, 2024) November 1922 to January 2025



Please note the following three features:

1. The compound annual growth rate (CAGR) over the 102 years to the beginning of this year is a mere 3% (it was 6% in nominal terms).
2. Notice also how long it takes to recover from high water marks. The 1929 crash took thirty years to reach pre-crash levels, as did the 1966 bear market. The dot.com recovery was interrupted by the 2008 crash, and recovery from both has so far gone on only for 14 years. Covid (2020) and the Ukraine war (2022), a mere year each. More volatility, yes, but recovery times are shorter.
3. Thus, we have spent 78 years of the last 102 in the red! Namely, periods when we were either digging a hole or trying to climb out.

Many investors focus understandably on volatility as a measure of risk, but while it has some relevance it is useful to define risk as the dollar amount of capital that might be lost. Bear markets lose capital which drags down the rate of growth. However, trouble represents opportunity. The opportunity for bargains is generated at these times of maximum pessimism. As the chart shows, equities in aggregate over the past 102 years have simply not provided adequate returns. Diversification has delivered little more than a smoothing out of short-term variance in returns, which adds little value to long-term investors. Alpha-seeking active investing would seem to be attractive in light of this evidence. There are three main ways to improve these returns through active investing *viz*. seeking alpha:

1. Timing or cyclical investing
2. Leverage, using debt or financial instruments to boost a passive portfolio
3. Stock picking, which takes a variety of forms, including value, quality, growth or hybrid growth at the right price (GARP).

Since active investing seems necessary to achieve the long-term investment objectives of foundations and endowments, expanding the search for alpha to the wider pool of IDMs seems rational.

2. ACTIVE CYCLICAL INVESTING INTERNATIONALLY

In the de-globalized, high interest rate and high-inflation environment that the world economy faces, the US dollar dominance with booming US equity markets is unlikely to be the norm as experienced in the past fifteen years. The relative cheapness of the EM and IDM markets makes them a fertile area to seek out potential well-priced opportunities. Furthermore, a greater allocation to EM and IDM could provide greater shelter from potential US market risk.

Why try to profit from asset market cycles when the trend is your friend?

Successful investing, at its very essence, is about dealing with the future. Unfortunately, the future is by its very nature unknowable and, in investment terms, inherently risky because many more things can happen than actually *will* happen. Most investors position their portfolios for this uncertainty by trying to forecast what will occur at the macroeconomic level. This makes perfect sense because the long-term or secular market trend is ultimately determined by economic conditions. Regrettably (and empirically) few investors have ever mastered "macro" forecasting well enough to consistently outperform. As someone rather unkindly once said, an economist is a portfolio manager who never has to mark to market or present their track record.

There is another problem: economies are like supertankers, very difficult to blow off course, stop or turn around. The secular economic growth trend is remarkably stable, yet the behaviour of markets is anything but stable. A casual observer looking at the long-term price chart of Microsoft or Visa will beg to differ, but all the evidence is that these spectacular, all weather growth stocks are the exception rather than the rule. We envy the rare geniuses with the foresight to build a portfolio of such long-term winners. For the rest of us, the reality is that nothing moves in a straight line where human behaviour in involved, and stock markets are thus inherently cyclical. In fact, to construct a portfolio on the basis that all the stocks will move along a straight line of secular growth would be highly imprudent; most share prices oscillate, sometimes violently, driven as much by those the very human characteristics of greed and fear as they are by their fundamentals. As Warren Buffett pithily but sagely once remarked; "Be greedy when others are fearful, and fearful when others are greedy". Indeed, to sit on your portfolio passively whilst the cycle plays out is to ignore, in the words of Oaktree founder Howard Marks, "the chance to tilt the odds in your favour".

Here is where we can find one of the key ingredients all investors need to outperform; a knowledge advantage or an "edge" that other market participants either miss entirely or choose to ignore. The correction of those high and low extremes caused by investor psychology, the so-called mean reversion, is much more dependable than continued movement in a straight line. In trying to position a portfolio for the future, in markets which are inherently cyclical, why not harness the power of that cycle? Indeed why not actively seek out the most cyclical assets, especially in an age where such exposures have been sidelined by an investment industry almost universally wedded to the lower volatility strategies that have worked so well in the recent past.

Harnessing the cycle starts with identifying where we are in the current cycle. For this we need the perspective of history to observe several cycles over time, and then determine whether the direction of a company's share price is more likely to revert either back upwards to its long-term trend, or conversely, down towards it again. Shares cross the secular trend line on their way up and down the cycle, but rarely remain at the trend for long. Armed with this knowledge we can position our portfolio in new shares at the specific point in time which makes gains more likely, and losses less so. Aggregate this at the portfolio level, and we should be capable of reducing our exposure to shares whose position indicates that a reversion downwards, and therefore losses, are more likely. This sounds so obvious that it begs the question why more investors do not follow this approach. Where is the catch?

To answer this question, we must again return to the dependable predictability of human behaviour. Market prices are made up of billions of individual human reactions every day. Buying a company whose shares have fallen to an extreme level away from its secular trend, and may still be falling, is a contrarian decision which goes against the herding, selling actions of millions of other investors. The exact opposite is true of the decision to sell a share that has been driven up to an extreme price, and which could still be rising further when we decide to sell. The consensus of knowledge is, by definition, embedded in those share prices. The objective of the contrarian, cyclical investor is to identify those rare occasions when the consensus is not only wrong, but where the payoff for betting against the consensus is so high that the risk/reward payoff is overwhelmingly in their favour. Such investors must not only dare to be different from the herd, but also to actually be wrong and to look wrong to the outside world, often for long periods of time with all the feelings of inadequacy and unpopularity which that entails. It is much easier said than done.

CONCLUSIONS AND INVESTMENT IMPLICATIONS

2025 heralds a potential change in the dynamic of the world economy which has repositioned IDM relative to domestic markets. Inflation with the attendant high interest rates and sluggish growth in the US with a weaker dollar will place IDM in a more competitive position *vis à vis* domestic markets in the coming years. The Templeton paradox of trouble is opportunity applies. The IDM macro fundamentals are relatively stronger, the equity market technical measures currently imply pessimistic valuations in these countries which in short presents an opportunity for the long-term investor. Allocations to IDM are at an all-time low, which is a consequence of both the relative under-pricing of the asset class and a conscious risk aversion on the part of institutional investors. Political strains with the US and the rest of the world certainly do not help allay these fears. The analysis we present seeks to provoke investors to consider increasing their allocations to IDM from the current average levels of around 6% to around 15%, which is higher than the twenty-year average level of 10%. The main motivation for this policy is two-pronged: the diversification benefits to hedge the risks of the domestic markets and to seize the return opportunities of specific equities in IDM. We propose a highly focused approach which seeks out individual stocks in these markets taking into consideration their growth opportunities and natural protection from inflation and currency risks. These markets are bristling with such opportunities. We recommend against a passive allocation as all markets continue to carry much risk. The trade tariffs in particular represent a serious challenge to investors and seeking a wider spread of risk is imperative to at the very least preserve capital.

APPENDIX - EAFE COUNTRIES SUMMARY STATISTICS

EAFE COUNTRY	POPULATION	GDP (US$ MM)	% GLOBAL GDP	NO. STOCKS	NO. ADRS	M.CAP (US$ T)	M.CAP / GDP	M.CAP (US$ P.C)
JAPAN	124,370,947	4,204,490	3.96 %	643	343	5.207	1.24	41,864
GERMANY	84,548,231	4,525,700	4.26 %	381	118	2.751	0.61	32,538
UK	68,682,962	3,380,850	3.18 %	451	207	3.723	1.10	54,204
FRANCE	66,438,822	3,051,830	2.87 %	321	102	3.127	1.02	47,063
ITALY	59,499,453	2,300,940	2.17 %	147	50	0.943	0.41	15,852
SPAIN	47,911,579	1,620,090	1.53 %	103	37	0.935	0.58	19,517
AUSTRALIA	26,451,124	1,728,060	1.63 %	363	118	1.555	0.90	58,787
NETHERLANDS	18,092,524	1,154,360	1.09 %	64	42	1.340	1.16	74,057
BELGIUM	11,712,893	644,783	0.61 %	75	25	0.346	0.54	29,513
SWEDEN	10,551,494	584,960	0.55 %	201	73	1.164	1.99	110,337
PORTUGAL	10,430,738	289,114	0.27 %	23	9	0.703	2.43	67,395
ISRAEL	9,256,314	513,611	0.48 %	188	28	0.372	0.72	40,209
AUSTRIA	9,130,429	511,685	0.48 %	60	18	0.182	0.36	19,947
SWITZERLAND	8,870,561	884,940	0.83 %	196	68	2.502	2.83	282,083
HONG KONG	7,442,734	380,812	0.36 %	149	132	0.953	2.50	128,039
DENMARK	5,948,136	407,092	0.38 %	63	32	0.713	1.75	119,826
SINGAPORE	5,789,090	501,428	0.47 %	74	43	0.549	1.09	94,751
FINLAND	5,601,185	295,532	0.28 %	84	25	0.309	1.04	55,135
NORWAY	5,519,167	485,311	0.46 %	110	36	0.319	0.66	57,851
IRELAND	5,196,630	551,395	0.52 %	44	17	1.013	1.84	194,941
NEW ZEALAND	5,172,836	252,176	0.00 %	45	18	1.017	4.03	196,672
EAFE TOTAL	**596,617,849**	**28,269,159**	**26.38 %**	**3,785**	**1,541**	**29.723**	**1.05**	**49,819**
US	343,477,335	27,720,700	26.11 %	3,701	-	57.620	2.08	167,755
EAFE/US	1.74	1.02	1.01	1.02	-	0.52	0.51	0.30

FOOTNOTES

1. See the inset following page 10 for a description of the MSCI EAFE index.
2. *Five change vectors that will impact your portfolio in 2021*, Oxford Metrica 27 January 2021.
3. *UBS Investor Sentiment Survey*, November 2022.
4. *Introducing the OM Jakota 60 Index*, Oxford Metrica.
5. The S&P 500 (ex-Mag 7) is an index created by Oxford Metrica based on the S&P 500 stocks, excluding Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. Therefore, 493 stocks constitute this index.

FIGURE SOURCES

FIGURE 1: BLOOMBERG (MSCI DATA)
FIGURE 2: BLOOMBERG (MSCI DATA)
FIGURE 3: TRADING ECONOMICS, GOVERNMENT AGENCIES & OECD
FIGURE 4: TRADING ECONOMICS, GOVERNMENT AGENCIES & OECD
FIGURE 5: TRADING ECONOMICS, GOVERNMENT AGENCIES & OECD
FIGURE 6: CENTRAL BANK ANNUAL REPORTS
FIGURE 7: THE WORLD BANK
FIGURE 8: THE WORLD BANK
FIGURE 9: THE WORLD BANK & OXFORD METRICA
FIGURE 10: THE WORLD BANK, TRADING ECONOMICS, GOVERNMENT AGENCIES & OECD
FIGURE 11: THE WORLD BANK & OXFORD METRICA
FIGURE 12: BLOOMBERG (MSCI DATA) & OXFORD METRICA
FIGURE 13: BLOOMBERG (MSCI DATA) & OXFORD METRICA
FIGURE 14: BLOOMBERG (MSCI DATA) & OXFORD METRICA
FIGURE 15: MSCI DATA & OXFORD METRICA
FIGURE 16: OXFORD METRICA
FIGURE 17: MSCI DATA & OXFORD METRICA
FIGURE 18: OXFORD METRICA

NOTES

NOTES

OXFORD METRICA CLIENTS

BANKING

BNY Mellon
Credit Suisse
Deutsche Bank
Invesco
Schroders
Templeton & Phillips
UBS

ENERGY & MINING

BP
De Beers
Exxon Mobil
Gold Fields
Royal Dutch Shell

FOOD

DongA One
General Mills
Nestlé

FOUNDATIONS

John Templeton Foundation
TWCF

HEALTH CARE

Baxter
Bristol-Myers Squibb
Johnson & Johnson
Merck Serono
Natura Cosmeticos
Novartis
Novo Nordisk
Solvay

INDUSTRIAL

ABB
Aker Solutions
BAA
BAE Systems
General Electric
INI
Jardine Matheson
Kone

INSURANCE

AIG
Aviva
FM Global
If
ING Group
Munich Re
OIL
RSA
SCOR
Swiss Life
Swiss Re
Zurich Insurance Group

PROFESSIONAL SERVICES

Accenture
Aon
Ashurst
Blue Rubicon
Deloitte
Edelman
EY
Freehills
Hill & Knowlton
Ince & Co
KBC Peel Hunt
Kenyon International
Marsh
Ogilvy PR
OTC Markets Group
Porter Novelli
PriceWaterhouse Coopers

PUBLISHING

Reed Elsevier

RETAIL

Huhtamaki
Tesco

TECHNOLOGY

Cisco Systems
Green ICN
Hitachi
IBM
ICN Telecom
Infosys
Intel
KNTV
Oracle
Tencent
Xilinx

TRANSPORT

P&O Ferries

DISCLAIMER

THIS DOCUMENT HAS BEEN PREPARED FOR THE EXCLUSIVE USE OF THE INTENDED RECIPIENT(S) ONLY. WHILST EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT, NEITHER OXFORD METRICA NOR ANY OF ITS MEMBERS PAST PRESENT OR FUTURE WARRANTS ITS ACCURACY OR WILL, REGARDLESS OF ITS OR THEIR NEGLIGENCE, ASSUME LIABILITY FOR ANY FORESEEABLE OR UNFORESEEABLE USE MADE THEREOF, WHICH LIABILITY IS HEREBY EXCLUDED. CONSEQUENTLY, SUCH USE IS AT THE RECIPIENT'S OWN RISK ON THE BASIS THAT ANY USE BY THE RECIPIENT CONSTITUTES AGREEMENT TO THE TERMS OF THIS DISCLAIMER. THE RECIPIENT IS OBLIGED TO INFORM ANY SUBSEQUENT RECIPIENT OF SUCH TERMS. THE INFORMATION CONTAINED IN THIS DOCUMENT IS NOT A RECOMMENDATION OR SOLICITATION TO BUY OR SELL SECURITIES. THIS DOCUMENT IS A SUMMARY PRESENTED FOR GENERAL INFORMATIONAL PURPOSES ONLY. IT IS NOT A COMPLETE ANALYSIS OF THE MATTERS DISCUSSED HEREIN AND SHOULD NOT BE RELIED UPON AS LEGAL ADVICE.

THE VIEWS EXPRESSED ARE THE VIEWS OF POLUNIN CAPITAL PARTNERS ONLY AND ARE SUBJECT TO CHANGE BASED ON MARKET AND OTHER CONDITIONS. THE INFORMATION PROVIDED DOES NOT CONSTITUTE INVESTMENT ADVICE AND IT SHOULD NOT BE RELIED ON AS SUCH. ALL MATERIAL HAS BEEN OBTAINED FROM SOURCES BELIEVED TO BE RELIABLE AS OF THE DATE OF PRESENTATION, BUT ITS ACCURACY IS NOT GUARANTEED. THIS MATERIAL CONTAINS CERTAIN STATEMENTS THAT MAY BE DEEMED FORWARD-LOOKING STATEMENTS. PLEASE NOTE THAT ANY SUCH STATEMENTS ARE NOT GUARANTEES OF ANY FUTURE PERFORMANCE AND ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THOSE PROJECTED.