FLEX INVESTMENT TEAM

DEATH OF THE BALANCED PORTFOLIO?

COMGEST GROWTH GLOBAL FLEX OFFERS AN ALTERNATIVE

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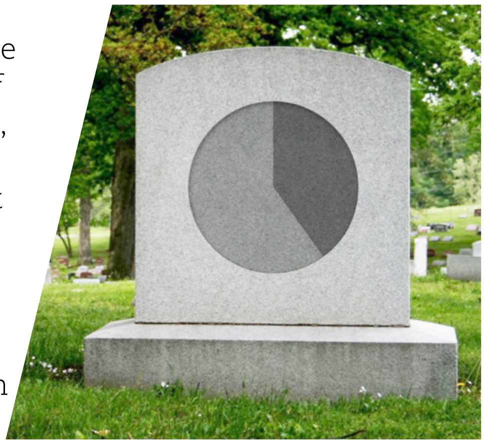


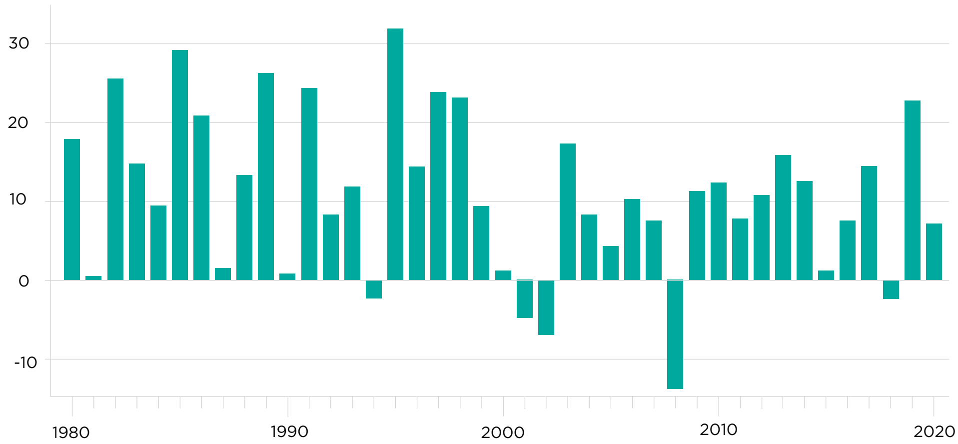
The 27th of August 2020 could arguably go down in history as the day when Jerome Powell, Chair of the U.S. Federal Reserve (the Fed), buried the traditional securities portfolio. His announcement that the Fed would now maintain an "average inflation target" and no longer aim for an inflation target of exactly 2%, meant the central bank was prepared to let inflation rise before increasing interest rates.

Today's economic environment offers a stark contrast to 40 years ago when Powell's predecessor Paul Volcker was forced to raise short-term interest rates to 20% in June 1981 to bring inflation under control, just as the U.S. economy entered a severe recession. Since then, interest rates on 10-year Treasury bonds have fallen from 15.8% to 1.1%[1].

This dramatic decline in interest rates has provided a major tailwind for many long-term investors, such as pension funds and wealth funds, which often hold a combination of stocks and government bonds (or other fixed-income instruments) in so-called "60/40" balanced portfolios. Conceived as a way to "balance" risk and return, the idea behind these portfolios was that if equities took a hit, then the "safer" bonds would act as a stabiliser. This approach to investing did very well for much of the past 40 years (see figure 1).

[1] Source: Bloomberg; data period from 30-Sep-1981 to 29-Jan-2021.

Figure 1. 60/40 Portfolio[2]: Annual Returns over the Past Four Decades (%)



Past performance is not a reliable guide to future performance.
Source: Financial Times, Comgest; 2020 is year to September 15.

THE MARKET IS DRIVING INVESTORS TO SEEK ALTERNATIVES

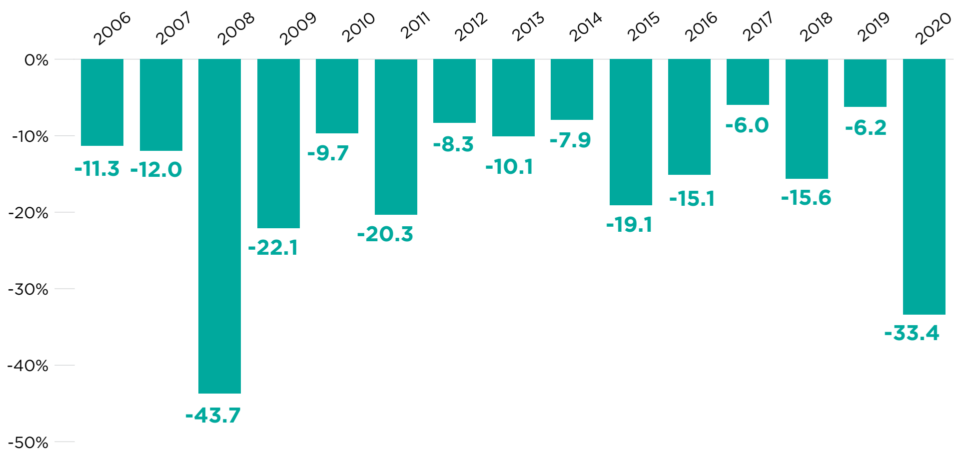
— Market conditions have changed. Yet alternatives for investors are limited and often at the expense of liquidity or performance.

At today's low level of interest rates – typically negative in real terms – we believe that bonds can no longer be relied upon to keep a portfolio afloat as they once did. As a result, for investors to obtain comparable investment results, they need to increase their risk exposure. Many end up seeking investments with limited liquidity such as private equity, real estate or other alternative assets. The fact that unlisted investments are not valued on a daily basis may seem to reduce the volatility of the portfolio, but we believe that the low liquidity of these alternatives can pose significant risks during periods of market stress.

Another option for investors is to increase their equity allocation. Equities are liquid and can be an attractive investment if inflation becomes high. The disadvantage of equities, however, is that they can experience large drawdowns and high short-term volatility. As illustrated in figure 2, in the past 15 years, the maximum annual drawdown of the MSCI AC World Index ("MSCI ACWI")[3] reached almost -44% (during a market crash), which is too severe for an investor with a balanced risk profile.

[2] A mix of equities and bonds split 60/40 generated a compound annual growth rate of 10.2 per cent in the US from 1980 to 15-Sep-2020. The S&P 500, representing the equities portion, returned 4.2 per cent, including the reinvestment of dividends, and the Bloomberg Barclays index of US Treasuries, representing the bonds portion, returned as much as 11.3 per cent, as official interest rates have been taken to zero. Bond prices rise as yields fall. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.
[3] MSCI AC World NR EUR Index ("MSCI ACWI Index") is used to represent the global equity market. Forward looking statements or forecasts may not be realised. Maintained by Morgan Stanley Capital International (MSCI), the index is comprised of the stocks of about 3,000 companies from 23 developed countries and 27 emerging markets (sources: Investopedia and msci.com/acwi).

Figure 2: MSCI AC World[4] Maximum Drawdowns (per year, over the past fifteen years)



Past performance is not a reliable guide to future performance.
Source: Bloomberg, Comgest; daily returns as of 30-Dec-2005 to 31-Dec-2020.

COMGEST GROWTH GLOBAL FLEX IN A NUTSHELL

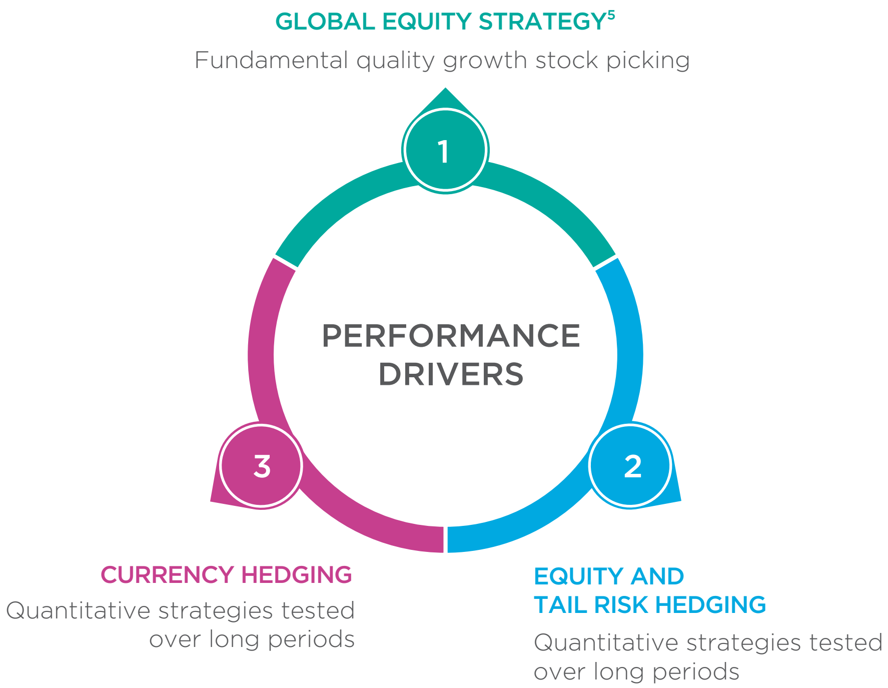
To cushion the downside risk of a pure equity allocation, an investor may consider the need to add a hedging overlay to their portfolio. This is an area in which Comgest has been bolstering investment expertise since 2012 to offer investors an equity investment vehicle with lower volatility. Comgest Growth Global Flex (the fund), which we have managed for more than three years, offers access to our quality growth global equity portfolio combined with a proprietary quantitative model that dynamically hedges exposures to regional equity markets and developed market currencies, depending on the market environment. The fund's performance and risk indicators are described below:

- **Limit drawdowns to a maximum of 15%;**
- **Keep annual volatility below 8%;**
- **Over the long term, capture on average more than 60% of the global equity market performance during positive months and less than 40% in negative months.**

[4] MSCI AC World NR EUR Index ("MSCI ACWI Index") is used to represent the global equity market.

The portfolio relies on three performance drivers:

Figure 3: Three Independent and Complementary Performance Drivers



For illustrative purposes only

1 Global Equity Strategy

The fund benefits from Comgest's proven experience in stock picking by replicating the portfolio of Comgest's Global Equity Strategy[5] – investing in the same high quality companies that can sustain above-average earnings growth for an extended period of time. With a track record of more than 30 years, our Global Equity Strategy has achieved an outperformance in euro relative to the MSCI ACWI index of over 300 basis points, net of fees[6], on an annualised basis since inception.

2 Equity and Tail Risk Hedging

Based on the output of our proprietary model, we apply dynamic and flexible hedging rates, ranging between 0%-100% of the fund's equity exposure via a) short equity index futures positions for the equity hedging and b) long volatility index futures positions for the

[5] Global Equity Strategy refers to the representative account of the Global All Cap Equities Composite, managed in accordance with the Composite since the Composite's inception. Inception date of the representative account: 27-Jun-1991. Please refer to the important information section for more details on the representative account, its selection methodology and where to receive the GIPS compliant presentation of the composite. The index is provided for comparative purposes only.

[6] Data as of 31-Jan-201. Performance figures are calculated net of investment management fees, administrative fees and all other fees with the exception of sales charges. If taken into account, sales charges would have a negative impact on performance.

tail-risk hedging. These highly liquid index futures, covering the main regional markets in which the equity portfolio is invested, are correlated to the portfolio making them both suitable and convenient hedging instruments and they enable us to maintain full exposure to our stock selection by only hedging the market exposure.

a) **Equity hedging addresses non-exceptional market periods.** The dynamic hedging rates used for equity hedging are outputs of a combination of quantitative strategies applied to the respective markets. Financial markets have very complex behaviour and no quantitative strategy can be effective in every situation. Comgest's main hedging objective is to strike the right balance by using a variety of decorrelated and complementary hedging strategies:

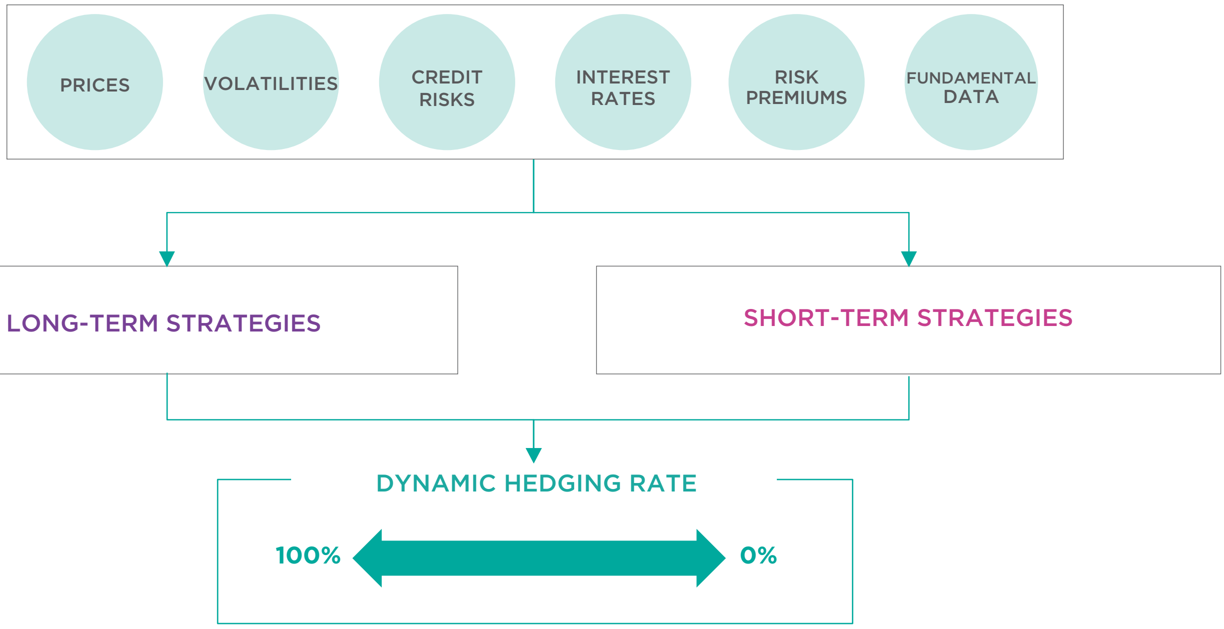
— **We believe that the key to successful hedging strategies is diversification**

- Using **a broad spectrum of data sources** to determine hedging rates (e.g. prices, volatilities, earnings, valuation metrics, credit spreads) to obtain as much information as possible;
- Taking advantage of **time horizons**, from short-term strategies that can identify sudden market shifts but may be subject to noise, to long-term strategies that tend to be more stable but react more slowly;
- Processing the data through **trading systems** (e.g. trend-following, mean-reversion, stress-triggering, prediction) that we specifically design to capitalise on our market observations.

The benefit of diversification within our equity hedging strategies can be illustrated by the following examples:

- Long-term trend strategies were highly effective during the 17-month bear market of the 2008 financial crisis but struggled under the short-term V-shape market conditions of 2020.
- Strategies based on credit spreads, on the other hand, did well in 2020 – as they reacted quickly to the Covid-19 crisis by emitting a strong stress signal as early as 25th February.
- The long-term volatility regime strategy would have helped the portfolio participate strongly in the bull market from 2012 to 2014, as it identified a period of relatively low volatility.

Figure 4: Proprietary Equity Hedging Model



For illustrative purposes only

b) **Tail risk hedging offers a complementary protection against sudden and severe market shocks** (tail risk events[7]), mainly when the equity hedging model indicates low hedging levels. Long volatility futures positions are managed dynamically based on a specific quantitative model to minimise the high carry cost of these volatility instruments. In practice, this strategy can hedge up to 20% of the fund's global equity portfolio as it covers only the US and European regions, based on the portfolio's current regional exposure.

Two recent examples of when the tail risk strategy had a meaningful positive impact on performance were the February 2018 "flash crash" and the Q1 2020 drawdown when markets experienced steep corrections in a matter of days.

3 Currency Hedging

Based on another proprietary quantitative model, we also apply the hedging of developed market currencies to control currency risk through short positions on currency forwards. This hedging strategy is also fully flexible (between 0% and 100%), meaning that the fund's portfolio can opportunistically maintain currency exposure to capture upward trends in what we believe to be safe-haven currencies such as the Japanese yen, especially in volatile and bearish equity markets, and then benefit from hedging when currencies depreciate. Currency hedging is only focused on developed market currencies to be cost efficient (interest

[7] Tail risk is the chance of a loss occurring due to a rare and unpredictable event, typically where an investment undergoes a short-term movement beyond three standard deviations.

rate differentials make emerging market currency hedging very expensive).

All of the hedging strategies implemented in the fund are the result of a highly selective internal research process in which we apply the following principles:

— Our hedging strategies, and the way they are combined, are the result of thorough, rigorous quantitative research and over 12 years' average experience within the team.

1. Idea generation based on market experience and observations;
2. Rigorous back-testing over long periods that must satisfy a number of selective criteria;
3. Sufficient decorrelation so that each hedging strategy adds value and diversification to the hedging model;
4. Continuous reassessment of the chosen hedging strategies and performance monitoring. Although the overall model is built to provide good results in different market configurations over the long-term, market evolution requires proactive adjustments.

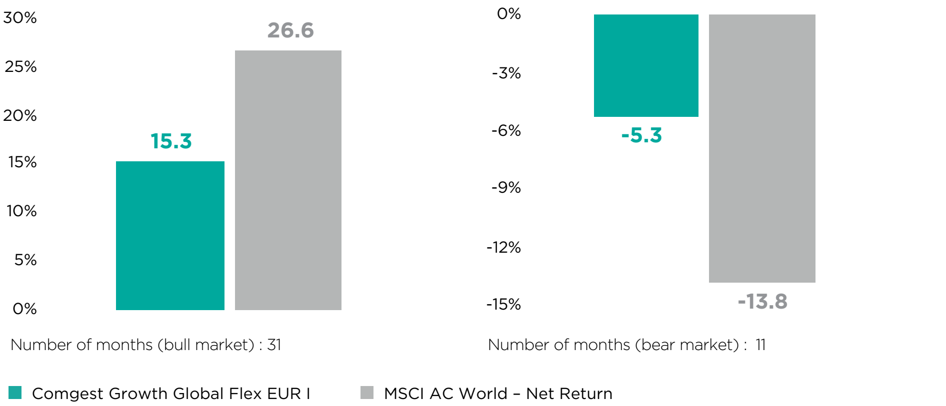
A ROBUST ALTERNATIVE

At the end of January 2021, Comgest Growth Global Flex posted an annualised return since inception[8] of 9.2% with a maximum drawdown of 15.4% (vs 7.6% and -22.2%, respectively, for a 60/40 balanced portfolio[9]). Annualised volatility over the same period was 9.2%. We find these results encouraging given the two "V-shaped" market configurations of recession and recovery experienced over the past two years, which can be challenging for quantitative hedging models. This is especially true considering that the 2020 market movements were unprecedented in terms of speed and magnitude, with stocks plummeting in the fastest bear market on record in March before staging a rebound unseen in nine decades. The downside capture ratio for the fund was 40% against the global equity market from 1st January to 23rd March 2020, when the market hit bottom (see figure 5 for equity market performance capture details).

[8] 31//07/2017.
[9] The 60 /40 balanced portfolio is a hypothetical portfolio composed of 60% of Global Equities (represented by MSCI AC World Total Return EUR Index) and 40% of Global Bonds (represented by Bloomberg Global-Aggregate Total Return EUR index), rebalanced daily. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.

Figure 5: Comgest Growth Global Flex: Global Equity Market Upside and Downside Capture

ANNUALISED PERFORMANCE IN BULL MARKETS (SINCE INCEPTION)	ANNUALISED PERFORMANCE IN BEAR MARKETS (SINCE INCEPTION)
Upside Capture: 58%	Downside Capture: 38%

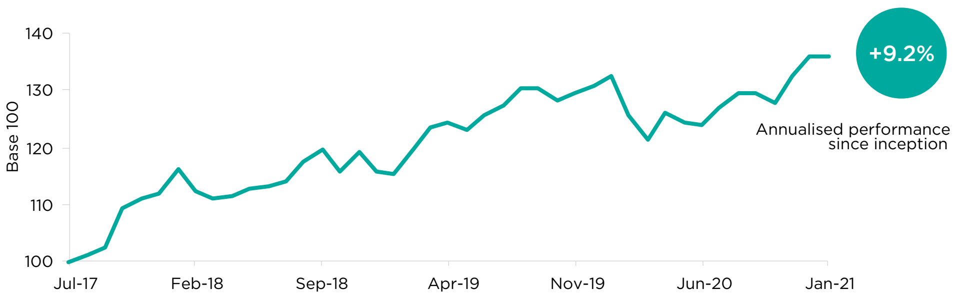


Past performance is not a reliable guide to future performance.
Source: Comgest, Factset. Performance figures are calculated net of investment management fees (cf footnote 4 for details).

— **Comgest Growth Global Flex: Combining the pursuit of absolute returns through our quality growth stock-picking with robust risk management using dynamic hedging strategies.**

After more than three years of existence, Comgest Growth Global Flex has not only demonstrated resilience during challenging times, but has also received a top five-star rating by Morningstar in its "Flexible Global Allocation" category (Figure 6)[10]. At the end of January 2021, Comgest Growth Global Flex was ranked 6 out of 1235 funds in terms of risk-adjusted annualised returns since inception (Figure 7).

Figure 6: Comgest Growth Global Flex: Cumulative Performance Since Inception (%, net of fees, as of 31-Jan-2021)



Performance is not a reliable guide to future performance.
Source: Comgest, Factset. * 31-Jul-2017 to 31-Dec-2017. Performance figures are calculated net of investment management fees, administrative fees and all other fees with the exception of sales charges. If taken into account, sales charges would have a negative impact on performance.

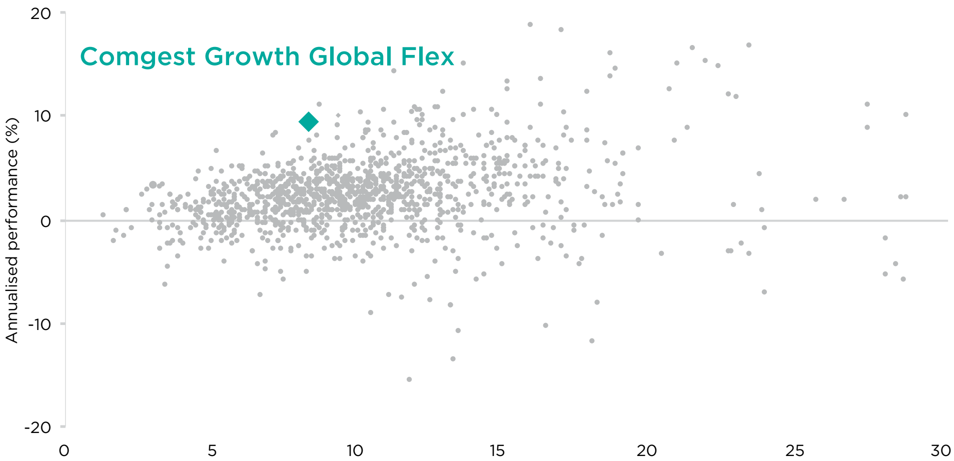
[10] Morningstar Category: EAA Fund EUR Flexible Allocation - Global Number of funds in Category: 3305. The Morningstar Rating™ is an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category. The overall rating is a weighted combination of the three-, five- and ten-year ratings. The top 10% of funds will receive a 5-star rating and the next 22.5% receive a 4-star rating.

Comgest Growth Global Flex: Annual Performance (net of fees, as of 31-Jan-2021)

%	2017*	2018	2019	2020	YTD 2021
Fund	12.00	3.48	12.94	3.74	0.22

Performance is not a reliable guide to future performance.
Source: Comgest, Factset. * 31-Jul-2017 to 31-Dec-2017. Performance figures are calculated net of investment management fees, administrative fees and all other fees with the exception of sales charges. If taken into account, sales charges would have a negative impact on performance.

Figure 7: Risk-Adjusted Return Profile of Funds in the Morningstar Category EUR Flexible Allocation - Global (31/07/2017 - 31/01/2021)



Performance is not a reliable guide to future performance.
Source: Comgest, Morningstar. Net performance data expressed in EUR. Oldest share classes of funds within the Morningstar Category EUR Flexible Allocation – Global.

MAIN RISKS

- Investing involves risk including possible loss of principal.
- The value of all investments and the income derived therefrom can decrease as well as increase.
- Changes in exchange rates can negatively impact both the value of your investment and the level of income received.
- Emerging markets may be more volatile and less liquid than more developed markets and therefore may involve greater risks.
- Although intended to limit or reduce investment risk, hedging strategies may also limit or reduce the potential for profit. There is no assurance that hedging strategies will be successful
- Derivatives may be more sensitive to changes in market conditions and may amplify risks.
- A portfolio invested in a limited number of securities may entail higher risks than portfolios which hold a very broad spread of investments.

IMPORTANT INFORMATION

This document has been prepared for investors in the fund presented herein only and may only be used by these investors.

Fund legal documentation

Before making any investment decision, investors must read the latest offering documentation (e.g. prospectus and Key Investor Information Document ("KIID") for UCITS funds), available at our offices free of charge and on our website at www.comgest.com. A more detailed description of the risk factors that apply to the fund is set out in the prospectus. Comgest Growth Emerging Markets mentioned herein is a UCITS compliant sub-fund of Comgest Growth plc, an open-ended umbrella-type investment company with variable capital and segregated liability between sub-funds incorporated in Ireland. Comgest Growth Plc is authorised by the Central Bank of Ireland.

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