



Insights: Global Growth Equity ADR Strategy

Increasing urbanization, growing infrastructure needs, the rising middle class, and changing demographics are significant catalysts for driving global economic growth. Against this dynamic global backdrop, we believe taking a company-focused rather than country-focused approach enables 1919 Investment Counsel to discover high-quality companies around the globe—opening a world of opportunity for investors.

In our opinion, there has never been a better time to expand investment horizons and think global.

1 The Global Growth Equity ADR Strategy invests in attractive opportunities regardless of geography or sector. Please provide your perspective on this company-focused rather than country-focused investment approach.

A global strategy gives us the flexibility to look beyond regions and countries in search of attractively valued, high-quality companies that offer the potential for outperformance over time. We believe that evaluating investment opportunities on an individual company basis, rather than by region or country, uncovers a larger number of high-quality companies. In fact, based on our research, over the last decade 70-80% of the 50 best performing stocks world-wide each year are from non-U.S. companies.

We have found that while a country or region may not seem attractive from an investment perspective, there may still be companies within that region that are performing well and offer the potential for growth. From our perspective, index and market returns do not tell the whole story. For example, the European STOXX 600 Index and the French CAC 40 Index realized an annualized return of 0.14% and 1.41% respectively for the 5-year period from December 31, 2013 through December 31, 2018. However, the rapidly, globally growing French aeronautics company Airbus returned 6.51% annually for the same time period. We seek to include high-quality, companies like this in the Global Growth Equity ADR Strategy's portfolio.

2 What global trends have you identified that have the potential to fuel secular growth?

There are three global trends that we believe will play an important role over the coming decades—with significant impacts for both developed and emerging markets:

- 1. Urbanization and Infrastructure** - Population shifts from rural to urban areas are a catalyst for economic growth, creating a new and expanded class of consumers. Urbanization levels in the emerging market regions are still relatively low. For example, Africa and Asia have only 40%-60% of their populations in urban areas. This increasing urbanization should fuel demand for new infrastructure projects including roads, housing, and water and sewage facilities. In addition, in the developed world, aging roads, railways, and other infrastructure require much needed upgrading or replacement.
- 2. The Rising Middle Class** - The United Nations estimates that there will be approximately 2 billion people entering the middle class over the next decade with the majority residing in Asia. History has shown that as incomes rise, so does consumer spending. We believe our portfolio holdings should benefit from the economic potential of this large, new addressable market.

3. Demographics - While emerging markets are enjoying the benefits of a younger, growing population with an increasing demand for consumer goods and new technologies, an aging population in the developed markets creates its own set of opportunities. This includes potential growth for companies that focus on healthcare or travel. Our portfolio includes companies that cater to the needs of both these younger and older demographics.

We believe the Global Growth Equity ADR Strategy's portfolio companies are well-positioned to benefit from these three compelling and inter-related global trends over the long term.

3 What criteria do you use to identify companies for inclusion in the Strategy's portfolio?

Utilizing a fundamentally driven process, we identify companies that demonstrate the following four growth characteristics:

- Leading competitive position in their industry.
- High-quality corporate governance practices.
- Ability to generate strong and sustainable cash flows.
- Experienced management teams.

Our team of 12 investment professionals—including 6 fundamental analysts and the globally-focused team highlighted here—seeks companies, across all market capitalizations, that demonstrate strong fundamental characteristics and are well-positioned for long-term growth.

Our long-term perspective informs our high conviction, high active share approach which is reflected in our low turnover portfolio that typically consists of 35-40 stocks. We continually monitor portfolio holdings and will replace holdings if more compelling opportunities arise or if we believe the original investment thesis for a particular company no longer holds true.

4 How does your team's varied backgrounds inform your identification of opportunities?

Our team has a diverse, global background that provides useful perspective in the management of the portfolio. For example, with over 18 years in the financial services industry, portfolio manager Dessie Locher, grew up in Bulgaria, Eastern Europe, and spent part of her career as an equity analyst traveling extensively in South Africa, Central and Eastern Europe, Russia and the former Soviet countries.

THE UNITED NATIONS IS ESTIMATING THAT THERE WILL BE 2 BILLION PEOPLE ENTERING THE MIDDLE CLASS OVER THE NEXT DECADE.

Dessie's "feet on the ground" experience meeting company management, touring facilities and evaluating supply chains in these regions provides unique perspective as she evaluates companies for inclusion in the portfolio. Her expertise is complemented by Mel Casey's years spent in Developed Europe. From Dublin, Ireland, his experience as a trader working with investors across a variety of sectors and his focus on a disciplined investment process, informs his role as a sounding board for Dessie and other team members.

Originally from India, Mathi Vaheesan possesses extensive quantitative expertise and helps to define and screen our initial investable global universe of approximately 1,550 stocks. From that larger universe, approximately 150 securities may be eligible for portfolio inclusion and will be fundamentally evaluated by team members including Chris Delpi, a 20-year veteran with extensive healthcare and consumer sector experience.

We believe our portfolio management team's varied backgrounds provide diversity of thought—enabling them to discover high-quality companies around the globe that others may overlook. This diversity of backgrounds and professional experience also sharpens our ability to see through cultural idiosyncrasies and global noise to focus on compelling investment opportunities with a long growth runway.

5 Why is it important to own both U.S. and non-U.S. stocks in an equity portfolio?

At 1919 Investment Counsel, we seek businesses that represent some of the world's most compelling opportunities, regardless of company size or geography. By investing in an equity portfolio comprised of both U.S. and non-U.S. stocks, not only will the investor gain exposure to this larger universe of high-quality companies, but they may also participate in and benefit from the long-term growth opportunities provided by an increasingly interconnected global world. ■

THE GLOBAL GROWTH EQUITY ADR STRATEGY TEAM



DESSIE LOCHER, CFA
Principal, Portfolio Manager
17 Years of Experience



CHRISTOPHER DELPI, CFA
Principal, Equity Research Analyst
20 Years of Experience



MEREDITH MOWEN
Managing Director, Portfolio Manager
30 Years of Experience



MATHI VAHEESAN, CFA
Principal, Quantitative Analyst
20 Years of Experience



MICHAEL McANDREW, CFA
Investment Associate
6 Years of Experience



MEL CASEY, CFA, CAIA
Vice President, Portfolio Manager
15 Years of Experience



ABOUT 1919

1919 Investment Counsel, LLC (1919ic), an investment management firm, provides discretionary separate account management services for affluent individuals, families, trusts, foundations, endowments, and institutions. As of December 31, 2019 the firm managed approximately \$15.1 billion of assets.

The cornerstone of 1919ic's investment process is proprietary, fundamental research with an emphasis on quality, risk management and diversification.

WITH OFFICES IN

Baltimore • Birmingham • Cincinnati • New York • Philadelphia • San Francisco

Disclosure

All investments involve risk, including risk of loss and there is no guarantee investment objectives will be met. Investments in non-U.S. companies involve risks in addition to those ordinarily associated with investing in U.S. companies. These additional risks are magnified in emerging markets.