GQG PARTNERS

COMMENTARY 3Q 2021
AS OF SEPTEMBER 30, 2021

Gradually, then suddenly

GQG Partners Emerging Markets Equity Fund

GQGIX
INSTITUTIONAL CLASS

GQGPX
INVESTOR CLASS

GQGRX
RETIREMENT CLASS[1]

"Marge, I can't wear a pink shirt to work. Everybody wears white shirts. I'm not popular enough to be different."

— Homer Simpson, *The Simpsons*[1]

During a year in which everything making headlines seems to have the word "ever" at the beginning of it, maybe we should have titled this piece "Eveready" instead of paying homage to Hemingway's 1926 novel *The Sun Also Rises*. However, we think that "Gradually, Then Suddenly" encapsulates far more about markets than something with "ever" in the title.

To spare everyone a book report, there's a passage in the novel where Hemingway's character Mike is asked how he went bankrupt. He replies with the famous title of this letter: gradually, then suddenly. This idea, that the stage is set in the past for the events today, isn't novel (no pun intended), but this should serve as a perpetual reminder that history didn't start yesterday.

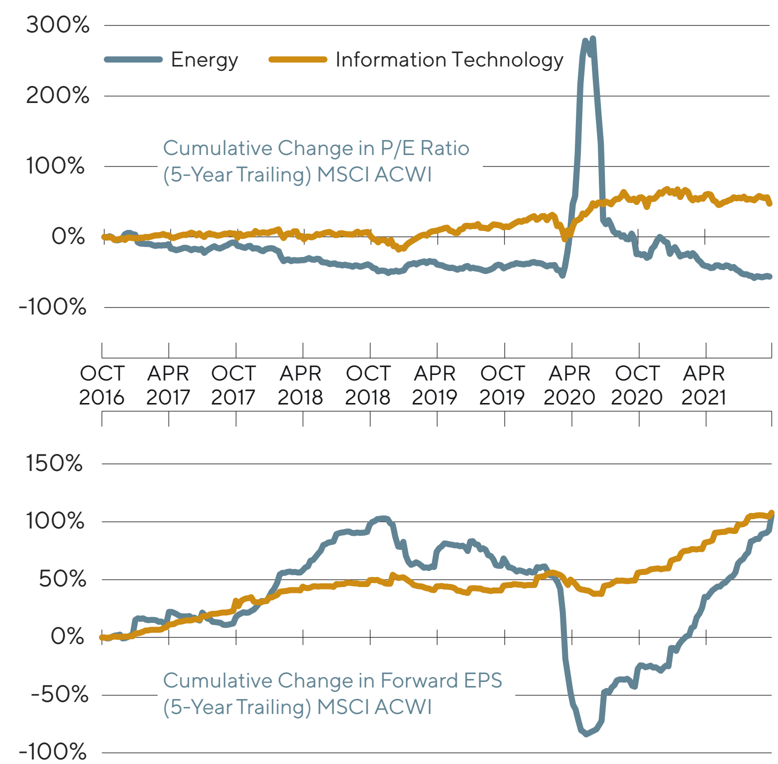
Recall that in our first quarter commentary we discussed how the giant ship *Ever Given*, which was stuck in the Suez Canal, was a good proxy for surprises. For all the discussions over the years of potential blockages of the world's most famous canal, a giant ship getting stuck in the mud didn't really hit the meaningful part of the probability distribution. Fast-forward to September 2021 and the phrase du jour is "China's Lehman Moment," which as you likely know involves the highly indebted Chinese property developer Evergrande (there's that word again).

Now, in our view, it's highly unlikely that this is, in fact, "the big one" for a whole host of reasons. Because data is best used as an ensemble, we simply don't see the degradation of a variety of market metrics — regional equity declines, currency devaluations, a meaningful increase in non-property-based borrowing costs, etc.— that would suggest to us that *contagion* is here. However, this does not suggest that there are no problems afoot and that everything is all clear. To see this, we believe all one has to do is look at our China exposure (or lack thereof) in our non-US portfolios to see how we have expressed this lack of earnings certainty. Despite this, our perpetual refrain still holds that we follow the data. And as the data changes, we will strive to adapt.

We continue to believe the argument holds water that China is still a growing consumer market and there are still great opportunities to make money. However, the onslaught of regulatory actions over the past ten months has hurt many investors outside China - and, in our view, dampened the attractiveness of this market, no matter how attractive these policies are to those in China. Under President Xi, China seems to be moving away from a market-driven economic model to one that pays more attention to social stability and common prosperity in an effort to narrow the large and growing wealth gap. Hence, we believe it becomes a more challenging task for foreign investors to pick and choose where to invest in China in today's environment.

EXHIBIT 1: COOKING WITH GAS

Forward Price-to-Earnings (P/E) ratios and growth rates as earnings per share (EPS) of the MSCI ACWI Energy and Information Technology sectors over the last 5 years.



Source: Bloomberg as of September 30, 2021 for forward P/E ratios and EPS of the MSCI ACWI Energy and Information Technology sectors since October 1, 2016. **PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS.** You cannot invest directly in an index.

To further underscore this point, let's use one last *ever*-based word, and this time, let's look at "evergreen." While headlines often dominate *current* conversations, it's important to keep this whole business of "history not starting yesterday" straight. Because we know that things often rhyme, we believe history has repeatedly shown that it's rarely, if ever, the biggest or loudest event that everyone is focused on that causes the most heartburn. No, generally it's much more innocuous than that, with major events sounding more like a thief in the night than the cacophony of things emitting from a construction site.

With this evergreen concept in mind, and our Homer Simpson quote in hand, let's examine a couple of topics that we have been spending a lot of time thinking about and where we're quite comfortable being different — growth and inflation.

FOLLOW THE DATA

Much like we wanted to spare you the book report on Hemingway, we also will spare the economics lesson, as well as all of the details of the Phillips curve and the alleged trade-off between unemployment and inflation (something we seem to be dealing with quite a lot these days). But it's worth bringing up today, given current comparisons to the 1970s, in understanding where we are and how growth and inflation impact portfolio decisions. As many of you may know and have heard us say many times, our mantra is rooted in preparation, not prognostication. While it's certainly true that our exposure to more cyclical areas of the market has increased across our portfolios throughout 2021, this was not a "call" on commodity prices, rates, GDP growth, etc. Rather, it was simply an analysis of the overall opportunity set where our forward-looking quality approach uncovered what we believe are a wider array of attractive companies, as highlighted in Exhibit 1, where we compare both forward price-to-earnings (P/E) ratios and the cumulative change in forward earnings per share (EPS) for the MSCI ACWI Energy and Information and Information Technology sectors over the last 5 years.

This also is how, when you look at the portfolios, overall prices paid have come down without sacrificing quality or compound growth too much, something we highlighted in the first quarter.

So what does all of this have to do with growth and inflation? Well, first of all, we don't need to wade into whether or not this is transitory — Google Trends can help you with that, and hint: the search activity peaked around June. Additionally, by the strict nature of the word, we believe everything is transitory because everything is temporary. But let's view our current predicament through the lens of our bottom-up process and take a look at the recent earnings release of a company taking the pulse of global trade and commerce: FedEx. [2] A few quotes from their Q1 2022 corporate earnings call should suffice:

> The continued constrained capacity in both the U.S. domestic and international markets has led to a **very favorable pricing environment.** As announced yesterday, **effective January 3, 2022,** FedEx Express, FedEx Ground and FedEx Home Delivery **shipping rates will increase by an average of 5.9%,** while FedEx **Freight rates will increase by an average of 5.9% to 7.9%.** We also announced other surcharge increases, which can be found on fedex.com.
>
> As we look to the rest of the fiscal year, **we expect certain factors to extend longer than we originally forecast in June.**
>
> Overall, for the second quarter, **we anticipate a similar level of headwinds in Q2 as we experienced in the first quarter** as the challenges and impacts to our operations from the labor shortages are expected to persist through the rest of calendar 2021. Consistent with the first quarter, we also expect headwinds in Q2 to be driven by our expansion of Ground, higher health care expenses, COVID-related air network inefficiencies at Express and the benefit in the prior year of reduced aviation excise taxes.[3]

If FedEx is raising prices, how likely are they to give discounts next year? If they're at the center of shipping and trade, yet they can't "forecast," how accurate are the forecasts likely to be of others further removed from the value chain of stuff? None of this is about doom and gloom; none of this is about predicting an imminent collapse of anything — but it *does* behoove us as investors to ask the questions and understand where expectations may be a bit off (something we highlighted in our second quarter commentary). What if the more important signpost for investors isn't Chinese property but US-based delivery services? What if margins shrink or growth estimates are too rosy? What tends to happen to the longest duration spectrum of the equity market if *current expectations* around transitory costs become not so transitory and expanding margins and increasing multiples were to suddenly stop? Let's examine another example, but this time at the opposite end of the FedEx spectrum: a rapidly growing Emerging Markets Internet company.

Sea Ltd. [4], is a Singapore-based Internet company, operating across three key segments — payments (SeaMoney), gaming (Garena) and e-commerce (Shopee). The company's core markets are located across Southeast Asia (Taiwan, Thailand, Indonesia, Singapore, Malaysia) and the company also has a presence in Latin America. However, even though the company is perceived as a current Wall Street darling, *we believe investors may be underestimating two primary risks: 1) the investment required to sustain market share and 2) the challenges associated with international expansion.*

While we were quite sanguine on Sea's business throughout 2020, we find it difficult to justify the company's more than US$175 billion valuation and ~15x forward price- to-sales multiple.

First, we are skeptical that Sea is likely to achieve the 30+ per cent margins that some analysts anticipate.[5] After observing many e-commerce models over the years, a strong investment in logistics is often required to sustain market share as we believe that network effects alone do not create sufficient barriers to entry. Sea itself appeared to come out of nowhere to become the leading Brazilian e-commerce player by revenue within just 18 months. With this in mind, what prevents another company from similarly offering low take rates, coupons, and free shipping to disrupt Sea, given that we have seen this in other markets? For example, in South Korea, eBay operated an asset-light model but lost its leading position to Coupang who invested aggressively in logistics. Similarly, MercadoLibre sacrificed its margins and pivoted to a more capital-intensive model to fight off competition. We believe that Sea will likely be forced to invest heavily in their new business lines, resulting in lower long-term margins and thus a lower revenue multiple. Over time, as many of these e-commerce companies, such as Coupang, Amazon, and JD have become more capital intensive, their price-to-sales multiples have generally fallen to low single-digit multiples.

Second, we believe Sea's international expansion plans have the potential to create complications. The company is in the process of expanding simultaneously into four distinct regions: India (a highly regulated market with large incumbents such as Amazon, Reliance and Flipkart), Poland (currently dominated by Allegro, but Amazon is entering this market as well), Brazil (a volatile macro environment with large incumbents including MercadoLibre as well as Amazon), and lastly in Southeast Asia, its current, core market. While we view Sea's execution up to this point as quite strong, we believe the company has benefited from two primary drivers that we think are unlikely to remain tailwinds going forward: competitor Lazada's past missteps in Southeast Asia combined with Garena Free Fire's unexpected global success. While it may be easy to mock expansions of companies operating outside of the "digital world," such as Citigroup's aggressive global expansion or Tata Steel's bidding war for UK steel assets in the pre-Global Financial Crisis era, these efforts were actually applauded way back when, as the banking/commodities industries were considered secular growth areas.

Therefore, despite being an historically strong business in our view, how confident can we be in these projections? In our view, it wouldn't be that hard to imagine a scenario where investors no longer view Sea's plans for global domination in a positive light. Generally, when n=1, or n=very few, it's unlikely that estimates are to hit the middle of the distribution. Great companies, as you all may know, can still be overvalued. In our opinion, those companies with the fastest growth, and which have continued to become increasingly more expensive in price, are the most vulnerable to a shift in expectations. As we like to say, better to miss up than miss down. So once again, it's not surprising to see our portfolios with lower levels of more expensive, growth-type names.

Therefore, unlike Homer Simpson, we're fine with wearing pink shirts when our more growth-oriented peers are wearing white. We believe our forward-looking quality approach and growth through the lens of compounding allows us to shake off the 3x5 card of allowable style box opinion (something of which we're happy to remind folks) and focus on where we believe we have the highest degree of earnings certainty over the next five years.

We do agree that many things are transitory, but we don't agree that we can ignore the current ensemble that suggests many things are not.

GQG PARTNERS EMERGING MARKETS EQUITY FUND

EXHIBIT 2: FUND NET TOTAL RETURN PERFORMANCE %

TOTAL RETURNS SUMMARY AS OF SEPTEMBER 30, 2021	1 MO	3 MOS	YTD	1 YR	3 YRS	SINCE INCEPTION (28-DEC-16)	2020	2019	2018	2017
Institutional Class GQGIX	-4.10	-6.00	-2.23	13.13	15.35	13.14	33.98	21.08	-14.7	32.01
Investor Class GQGPX	-4.17	-6.08	-2.35	12.96	15.13	12.90	33.74	20.92	-14.92	31.61
Retirement Class GQGRX[1]	-4.10	-6.00	-2.23	13.13	15.35	13.14	33.98	21.08	-14.70	32.01
MSCI Emerging Markets Index (Net)	-3.97	-8.09	-1.25	18.20	8.58	11.02	18.31	18.42	-14.58	37.28

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance of the portfolio may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling +1 (866) 362-8333. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns greater than one year are annualized. Performance may reflect agreements to limit a Fund's expenses, which would further reduce performance if not in effect.

The expense ratios for Institutional Class shares are 1.00% (net), 1.05% (gross) and 0.98% (effective); for Investor Class shares are 1.18% (net), 1.24% (gross) and 1.16% (effective); and for Retirement Class[1] shares are 1.00% (net), 1.05% (gross) and 0.98% (effective). The adviser has contractually agreed to waive fees until November 30, 2021. "Net" fees include Acquired Fund Fees of 0.02% because the Fund was invested in an "Acquired Fund" as of July 31, 2020 (the Fund's fiscal year end). "Effective" fees exclude Acquired Fund Fees.

During the third quarter of 2021, GQG Partners Emerging Markets Equity Fund (GQGPX) outperformed the benchmark MSCI Emerging Markets Index (Net) USD by 2.01 per cent, posting a total net of fees return of -6.08 per cent versus the benchmark's -8.09 per cent return (see Exhibit 2).

Among the largest contributors to relative performance during the quarter were an underweight to the Consumer Discretionary sector and an overweight to both Russia and India.

The largest negative contributors to relative performance during the quarter were due to stock selection in both the Materials and Consumer Staples sector as well as an overweight to Brazil.

EXHIBIT 3: TOP FIVE CONTRIBUTORS & DETRACTORS BY HOLDING FOR 3Q 2021

TOP CONTRIBUTORS BY HOLDING AS OF SEPTEMBER 30, 2021	END WEIGHT %	CONTRIBUTION TO RETURN BPS
Reliance Industries Ltd	3.7	+55
Housing Development Finance Corp Ltd	4.9	+44
Gazprom PJSC	2.7	+42
Bajaj Finance Ltd	2.1	+39
Sberbank of Russia PJSC	3.8	+39

BOTTOM CONTRIBUTORS BY HOLDING AS OF SEPTEMBER 30, 2021	END WEIGHT %	CONTRIBUTION TO RETURN BPS
Vale SA	2.8	-174
Wuliangye Yibin Co Ltd	1.0	-89
NetEase Inc	0.0	-66
Samsung Electronics Co Ltd	4.0	-62
Tencent Holdings Ltd	0.0	-56

Source: Northern Trust for the three months ending September 30, 2021. Portfolio holdings are subject to change without notice and are US dollar-weighted based upon the total net assets of the portfolio. The holdings identified and described do not represent all securities purchased, sold, or recommended for inclusion in the Fund and no assumption should be made that such securities or future recommendations were or will be profitable in the future. Current and future holdings are subject to risk. There are 100 basis points (bps) in one percent.

CONTRIBUTING HOLDINGS OVER THE THIRD QUARTER INCLUDED:

— **RELIANCE INDUSTRIES LTD**

Reliance Industries is engaged in hydrocarbon exploration and production, refining and marketing, petrochemicals, financial services, retail, and communications. During the quarter, the company benefited from elevated product prices on the back of higher crude prices. This was also accompanied by a broader acceleration in economic activity from plummeting covid cases post the Delta variant surge in Q2.

— **HOUSING DEVELOPMENT FINANCE CORP**

HDFC Bank is widely considered to be India's leading private sector bank. The company operates within three business units: retail banking, wholesale banking, and treasury. During the quarter, the company was a beneficiary of robust demand for home loans and was uniquely positioned to capitalize on this being India's largest mortgage financier. This robust home loan demand was also accompanied with a broader acceleration in economic activity from plummeting covid cases post the Delta variant surge in Q2.

DETRACTING HOLDINGS OVER THE THIRD QUARTER INCLUDED:

— **VALE SA**

Vale is the world's largest iron ore miner and a key supplier to the global steel industry. During the quarter, the company was negatively impacted by volatile iron ore prices which had a peak to trough decline of over -50 per cent. This elevated level of volatility in the underlying commodity price may be attributed to China curbing steel output in hopes of meeting its carbon neutrality goal by 2060 as well as jitters associated with Evergrande and by a possible downtick in overall steel demand.

— **WULIANGYE YIBIN CO LTD**

Wuliangye Yibin is China's leading liquor producer by revenue and capacity. Founded in the 1950s, the company is based in Yibin, Sichuan province, in southwest China. The hawkish rhetoric from Chinese regulators weighed on the company, and Chinese equities more broadly, during the period.

DEFINITIONS

Earnings per share (EPS) is the monetary value of earnings per outstanding share of common stock for a company.

Price-to-earnings (P/E) is the ratio of a company's share price to the company's earnings per share.

Price-to-sales (P/S) is the ratio of a company's stock price to its revenues.

END NOTES

1. "Stark Raving Dad," *The Simpsons*, season 3, episode 1, directed by Rich Moore, written by Al Jean and Mike Reiss, aired September 19, 1991, on the Fox network in the United States.
2. GQG Partners Emerging Markets Equity Fund held 0.0% of Federal Express as of September 30, 2021.
3. FedEx Corporation, FedEx Q1 FY2022 Earnings Call Transcript, September 21, 2021, https://s21.q4cdn.com/665674268/files/doc_financials/2022/q1/Earnings-Transcript-Q1FY22.pdf. Emphasis by GQG Partners.
4. GQG Partners Emerging Markets Equity Fund held 0.0% of Sea, Ltd. as of September 30, 2021.
5. MayBank Kim Eng, Analyst Report, Sea LTD (SE US), September 10, 2021, www.maybank-ke.com. Example of a more favorable view of margin expectations.

UNDERSTANDING INVESTMENT RISK

The Fund invests in foreign securities, which will involve greater volatility and political, economic, and currency risks and differences in accounting methods. It also invests in emerging markets, which involve unique risks, such as exposure to economies less diverse and mature than the US or other more established foreign markets. Economic and political instability may cause larger price changes in emerging markets securities than other foreign securities. As described more fully in the Fund's prospectus, the Fund is also subject to risks of active management, investing in equities, small, medium and large cap investing, market risk, investment style, foreign currency, emerging markets, geographic focus, depository receipts, Stock Connect investing, participation notes, large subscriptions and redemptions, liquidity, IPOs and non-diversification. It is possible to lose money by investing in securities. The Fund is non-diversified.

You should carefully consider the investment objective, risks, charges, and expenses of the Fund before investing. The Fund's prospectus and summary prospectus contain this and other important information about the Fund, which can be obtained by calling +1 (866) 362-8333 or visiting gqgpartners.com. Please read the prospectus carefully before investing. The Fund's Statement of Additional Information can also be obtained by calling +1 (866) 362-8333 or visiting gqgpartners.com.

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Any fund advised by GQG involves significant risks and is suitable only for those persons who can bear the economic risk of the complete loss of their investment. There is no assurance that any fund will achieve its investment objectives. Funds are subject to price volatility and the value of a portfolio will change as the prices of investments go up or down. Before investing in a fund, you should consider the risks of the fund as well as whether the fund is suitable based upon your investment objectives and risk tolerance.

INFORMATION ABOUT BENCHMARKS

MSCI benchmark returns have been obtained from MSCI, a non-affiliated third-party source. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing, or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The MSCI Emerging Markets (Net) Index is a free float-adjusted market capitalization index that consists of indices in 27 emerging economies: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates. With 1,397 constituents (as of December 31, 2020), the index covers about 85% of the free float-adjusted market capitalization in each country.

The MSCI All Country World Index (MSCI ACWI) is a global equity index, which tracks stocks from 23 developed and 27 emerging markets countries. Developed countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK, and the US. Emerging markets countries include: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates. With 2,976 constituents (as of September 30, 2021), the index covers approximately 85% of the global investable equity opportunity set.

Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to nonresident institutional investors who do not benefit from double taxation treaties.

Information about benchmark indices is provided to allow you to compare it to the performance of GQG strategies. Investors often use these well-known and widely recognized indices as one way to gauge the investment performance of an investment manager's strategy compared to investment sectors that correspond to the strategy. However, GQG's investment strategies are actively managed and not intended to replicate the performance of the indices; the performance and volatility of GQG's investment strategies may differ materially from the performance and volatility of their benchmark indices, and their holdings will differ significantly from the securities that comprise the indices. You cannot invest directly in indices, which do not take into account trading commissions and costs.

[1]Retirement Class (Class R6) shares are only available to employee benefit plans that are sponsored by one or more employers or employee organizations. Such employee benefit plans must purchase R6 shares through a plan level or omnibus account.

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FEME 3Q21QC (exp. 31-JAN-22)