Strategy RFP

Previously Investec Asset Management

Emerging Markets Investment Grade Corporate Debt

Quarter ending June 2020

Contents

At Ninety One we believe in investing for a better tomorrow. We want to assist people around the globe to retire with dignity and meet their financial objectives by offering specialist, active investment expertise. We are a patient, long-term business offering organically-developed investment capabilities through active segregated mandates and mutual funds. Our clients include some of the world's largest private and public sector pension funds, financial institutions, corporates, foundations, central banks and intermediaries serving individual investors.

It all began in South Africa in 1991 and we have grown to become an established global investment management firm. We continue to develop our owner culture and are committed to building a long-term inter-generational business. The founding leadership is still in place, offering stability and a long-term investment outlook for clients.

We are deeply committed to creating a better, sustainable future. We are conscious of our responsibility, both as investors of other people's money and of our broader responsibility to society. Through our core investing activities, our leadership in the industry, our environmental initiatives and our commitment to our local communities, we seek to make a positive impact in all that we do.

Our overriding aim is to manage our investments to the highest standard possible and thereby exceed our clients' investment and service expectations.

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For further information on the investment team, investment process, performance target and indices, please see the Important information section.

Executive summary

Ninety One has a long history of investing in emerging markets debt (EMD). Our business started in South Africa in 1991 and fixed income and cash management in the diverse markets of Africa has been a core part of this business since the beginning. At the same time, Ninety One's investment teams have been investing in emerging markets debt for over 25 years.

Emerging markets corporate debt is a relatively new asset class, but Ninety One has been an active participant in the asset class for over 10 years. **Our Emerging Markets Investment Grade Corporate Debt** approach applies a disciplined process to build well diversified portfolios targeting attractive risk-adjusted returns.

The key differentiators of Ninety One's Emerging Markets Investment Grade Corporate Debt strategy are:

- A **long history** in Emerging Market credit:
  - More than 25 years' experience across both EM local markets and credit
- Team of **experienced EM credit specialists**:
  - Experienced professional team dedicated to EM credit, with an average industry experience of 14 years in credit markets
  - Integrated within the wider Emerging Market Fixed Income team
  - Complemented by specialist EM credit traders who garner market colour and provide liquidity
- **Systematic and disciplined** approach identifies a wide range of opportunities and mitigates a number of potential risks:
  - Proprietary quantitative model provides objective input
  - We are not reliant on one theme
  - Depth of analysis provides conviction to invest through periods of market volatility

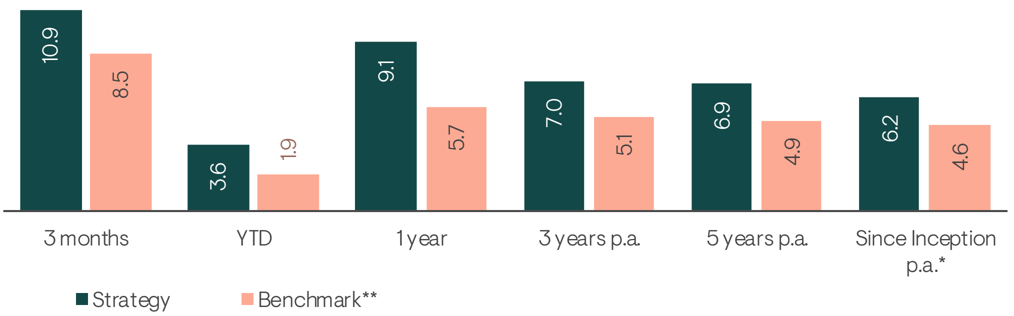
Past performance is not a reliable indicator of future results, losses may be made.

For further information on the investment team, investment process, performance target and indices, please see the Important information section.

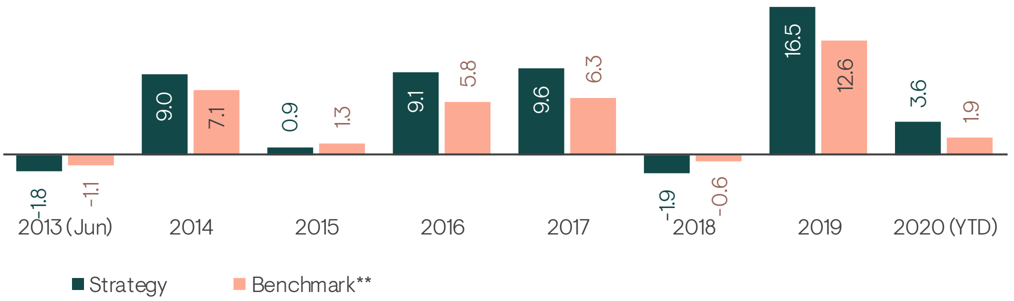
Performance

Ninety One has a successful track record in managing emerging markets debt assets. Since inception, the composite returned 6.2% p.a. against the performance comparison index (JPM CEMBI Broad Diversified Investment Grade) which returned 4.6% p.a. The performance of the Emerging Markets Investment Grade Corporate Debt Strategy is shown in the charts below.

Emerging Markets Investment Grade Corporate Debt – Annualised (Gross) performance (USD)



Emerging Markets Investment Grade Corporate Debt – Annual (Gross) performance (USD)



Past performance is not a reliable indicator of future results, losses may be made.

Source: Ninety One, 30 June 2020.

Performance is gross of fees (returns will be reduced by management fees and other expenses incurred), income reinvested, in USD.

The periodic deduction of fees and expenses will have a compounding effect on performance. Example effect of management fees taken monthly over 10yrs on the value of a client's portfolio:

Initial value = $100m, assumed return = 10% p.a., grows to $259m (no fees), grows to $244m (0.60% p.a. net fees). The annualised returns over 10yrs are 10% (gross of fees) and 9.34% (net of fees).

* Emerging Markets Investment Grade Corporate Debt Strategy inception date: 01 June 2013.

** Comparison index: JPM CEMBI Broad Diversified Investment Grade.

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For further information on the investment team, investment process, performance target and indices, please see the Important information section.

Ultimately, we are value investors and hence the investment process is specifically designed with the aim of doing well in all market environments. Our investment style focuses on liquid instruments and we manage the liquidity in the Strategy closely. We also run a more concentrated portfolio than the Index and as a result the volatility of our portfolio will tend to be higher than the index.

Potential outperformance

Our 'Compelling Forces' approach ensures that we focus on those corporates where fundamentals, valuation and market behaviour all line up in the same direction.

The Strategy aims to succeed in prolonged periods of volatility. Our quantitative tools and indicators are designed to help us identify changes in value. Ultimately, we would expect to be more successful in a rising market as typically there is improved liquidity in rising markets, facilitating an increased ability to trade relative value.

Our process relies on the experience of our team, our detailed bottom-up research and the output from our models. All of these are based on fundamentals and, as such, the Strategy has tended to perform best when corporates are responding to changing underlying dynamics.

Potential underperformance

We believe our Strategy may perform less well in the following environments:

- In initial sell offs we expect the strategy to underperform due to mismatches in liquidity between the Strategy and the index.
- A period when markets reverse very sharply, particularly when markets are moving from a general bull market to a general bear market or vice versa, is likely to prove particularly challenging for any investment manager.
- We firmly believe that fundamentals drive markets over the medium and long term. Our process is therefore likely to suffer on occasions where markets behave less rationally, are driven by event risk or appear to ignore fundamentals.

For further information on the investment team, investment process, performance target and indices, please see the Important information section.

Our investment expertise

The Fixed Income team is organised into specialist groups across Global Emerging Market Debt, Developed Market Credit, Developed Market Rates and South African Fixed Income. Each group applies their expertise to focused areas in which they have proven their ability to perform. This facilitates effective decision-making and ensures accountability.

Within Global Emerging Market Debt, we have two sub-teams; Emerging Market Sovereign & FX and Emerging Market Corporate Debt. The Corporate Debt team is organised by sector. The Sovereign & FX team is organised by region, typically working in pairs to cover the regions across three asset classes: sovereign local debt, hard currency debt, and currencies. The teams work closely together, bisecting countries and sectors to support broader investment views and themes. Investment ideas are generated by the analysts before being debated by the broader team. Once a suggested trade has been approved by the PMs it will filter into relevant strategies via the team's disciplined portfolio construction process.

We regard the strengths of the team as follows:

— Stable team with a strong shared culture

— As one of the pioneers in EMD, we have extensive experience in local, hard and corporate EMD

— Semi-annual team off-sites facilitate development and innovation.

— The team leverages Ninety One's wider multi-specialist investment framework

— Dedicated PM team, focused on finding best ideas across asset categories

Victoria Harling and Alan Siow are the co-portfolio managers for the Strategy and take full responsibility for positioning and performance. The team chart is provided below:

Victoria Harling
Strategy Leader
Head of Emerging Market
Corporate Debt

Alan Siow
Strategy Leader
Portfolio Manager

Investment Specialists – Corporate

Juliet Lim Oil & Gas, Infrastructure	Stacy Xie Financials
Leah Parento Transport & Consumer	Kevan Salisbury Resources
Tammy Lloyd Telecom & Utilities	Alan Siow Real Estate

Investment Specialists – Sovereign & Currency

Werner Gey van Pittius EEMEA	Thys Louw Africa
Vivienne Taberer LatAm	André Roux Asia
Antoon de Klerk Africa	Michail Diamantopoulos CE
Grant Webster EEMEA & Top-Down	Peter Eerdmans Top-Down
Mark Evans Asia	Roger Mark Middle East
Wilfred Wee Asia	

EM Credit Trading

Alexandre Almosni Trader, London	Christopher Farina Trader, New York	Kai Chang Trader, Hong Kong

Internal Support

Julia Poszmik Business Manager	Tom Peberdy Product Specialist

Quantitative Support

Nicholas Marshall Quantitative Analyst*	Jonathan George Analyst*

Global Investment Infrastructure Support

Trading | Environmental, Social and Governance (ESG) | Risk & Performance | Implementation

Investment team is subject to change not necessarily with prior notification. As at August 2020.
* Shared resource with South African Rates.

Biographies of the Strategy Leaders can be found in the Appendix.

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For further information on the investment team, investment process, performance target and indices, please see the Important information section.

Investment philosophy

We are fundamentally value-driven investors. The emerging market debt universe is multidimensional with pricing driven by many different facets, creating inefficiencies and mispricings which are not entirely associated with the underlying risks of the company, hence providing a fertile source of value over time. We intend to take advantage of these mispricings by:

Taking a global sector approach to emerging markets corporate debt. We believe this, combined with a regional perspective overlay, deepens our analysis:

Opportunities presented within the emerging markets corporate debt universe are multidimensional, depending on location, sector, duration and credit rating. Our investment approach exploits this, by analysing the universe firstly by sector then overlaying regional and country specific knowledge. We believe that sector specialists gain greater insight by comparing companies to their competitors enabling us to leverage information about regulation, best practice and future trends in those industries. We also recognise that many companies today operate across the entire world not just in one location. While we believe sector specialists have greater business insight, we recognise it is essential to understand the macro and regulatory environment each company operates in to be able to assess the future potential of that business and the impact of external factors. Furthermore, similarly risky companies are often rated differently depending on the countries they are operating in. Therefore, we draw on the sovereign specialists' knowledge and insight into the macroeconomic backdrop to further enhance the investment views on each company.

Conducting detailed bottom-up analysis of companies is essential to manage the downside risk of emerging markets corporate debt and assess value:

Our robust investment process is designed to encompass the entire universe in the hunt for opportunities, using a screen to narrow it down to a more concentrated pool on which extensive analysis is performed in order to identify the strongest candidates for inclusion into the portfolio. This analysis includes structural fundamentals (including ESG) overlaid with cyclical factors.

Following our Compelling Forces™ approach can provide a sustainable, repeatable way to invest successfully in this space:

The EM Corporate Debt Strategies are managed with the belief that Compelling Forces - that is changes in Fundamentals, Valuation and Market technicals, drive returns. Of these three forces, Valuation must be at the forefront when considering every investment. Thorough Fundamental analysis remains essential to our investment approach in order to determine future value and protect our client's money to the best of our ability i.e. we do not buy companies we don't understand. Whilst 80% of our assessment is driven by fundamentally driven value, Market technicals must be respected. We aim to understand mispricings and determine their longevities.

The people managing the team are as important as the process and we focus on hiring high calibre personnel:

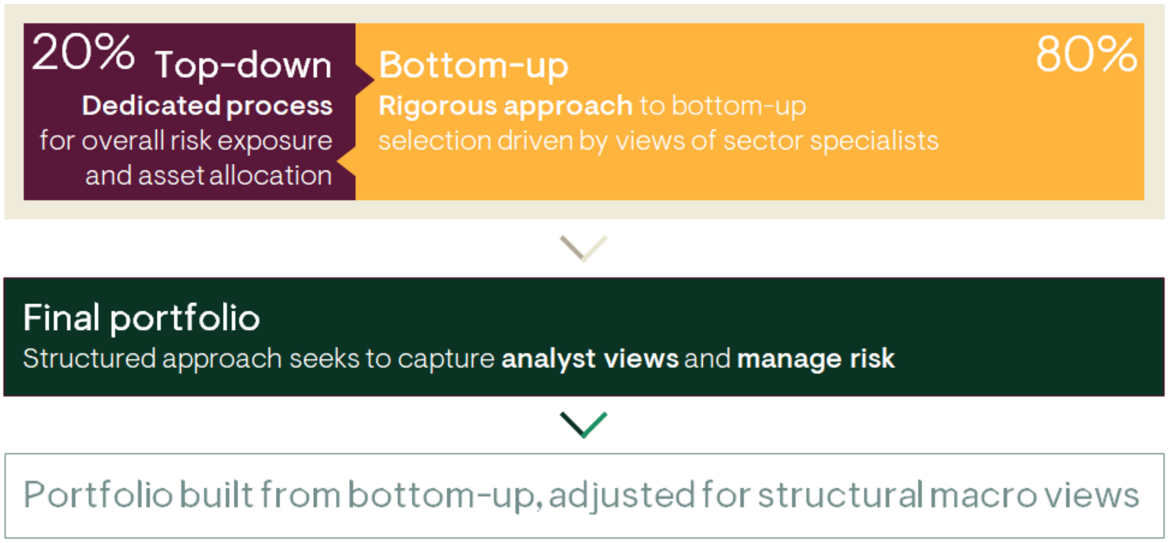
In line with our overall recruitment policy, only talented investment professionals of the highest calibre are hired. Our investment teams are comprised of investment professionals from a wide variety of backgrounds and qualifications, and we believe this diversity is an important advantage of our teams. However, talent alone is not sufficient. All members of the investment teams must also wholly embrace the investment philosophy and process of strategies managed within the team. This ensures that the investment process and philosophy are always implemented faithfully, rigorously and efficiently.

For further information on the investment team, investment process, performance target and indices, please see the Important information section.

Investment process

Our process has been developed over many years of investing in local emerging markets and in corporate debt markets. We believe the best way to consistently deliver alpha is by the following three principles:

- **Compelling Forces** drive returns. Our investment approach considers three sets of key factors; changing fundamentals, valuations and market price behaviour, what we have termed the **Compelling Forces.** These Compelling Forces provide an effective bottom-up framework to identify attractive investment alternatives within the emerging market corporate debt universe that drive our alpha generation.
- **Checks and Balances** from a top-down perspective are essential to ensure the overall portfolio reflects our view of forward looking risk adjusted returns and economic themes and is a crucial part of our investment strategy
- **Considered Portfolios** aim to maximise capturing Compelling Forces within the top-down framework ensuring no one theme dominates the risk in the portfolio and rigorous risk management plays a key part in ensuring optimal portfolios are created.



The top-down process determines the general outlook for emerging markets and the relative attractiveness of EM corporate debt, as well as aiming to identify where we are in global economic cycle and individual regional cycles. This generates an overall risk bias for the portfolio along with preferences for region, sector and credit quality. Given that the top-down asset allocation is intended to be more reflective of structural views, the overall time horizon of these positions is normally on a 3-6-month horizon and hence we typically debate this in a monthly meeting.

The bottom-up process requires more timely review and is done on a weekly basis to ensure that we are capturing changes from a micro level in a more reactive fashion.

The bottom-up review focuses on each sector and uses a scorecard methodology to rank individual names in each sector and to identify an overall view of the sector. The overall sector views emerging from the scorecards are important as they are used as a key tool when debating the sector allocations in monthly meeting. Each day of the week we have a different sector scorecard review, ensuring each position is analysed in detail every week. In addition, we have a weekly review of the portfolio.

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For further information on the investment team, investment process, performance target and indices, please see the Important information section.

Checks & Balances - setting the framework

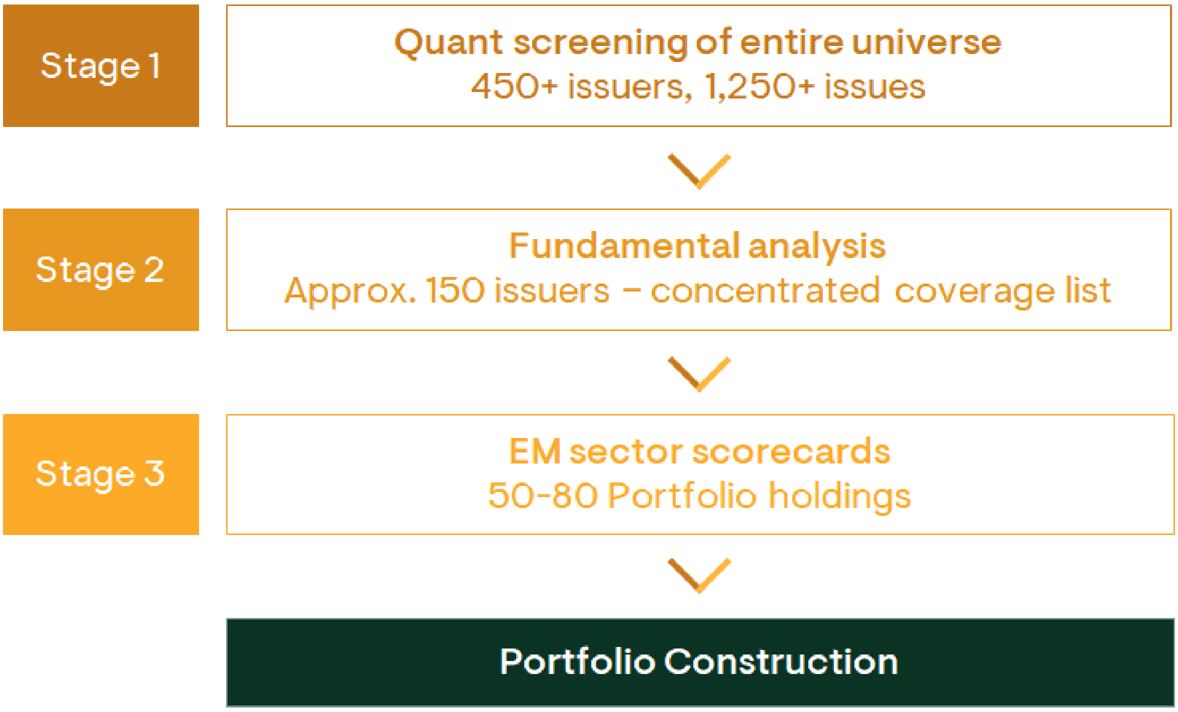
On a monthly basis we review global economic trends and risks. The entire team, along with the Natural Resources team and the Multi-Asset team participate in our monthly 'Global Macro Forum' meeting which covers commodities, emerging markets, the US economy, Europe and Japan. This meeting is followed by the monthly top-down meeting. At this meeting we determine the outlook for each asset class within Emerging Market fixed income and currencies. These views are a strong input into how we build the Emerging Markets Corporate Debt portfolios from a top-down perspective. Separately the weekly team meetings highlight individual country views which are also very important in shaping our outlook on the sectors that look more attractive in certain regions. The individual sector scorecards produced in the bottom-up analysis then feature in our discussion on fundamental trends, risks and valuations for each sector to produce a monthly top down sector scorecard. This is where the bottom-up and the top-down processes then converge. The specific outputs from the top-down process are risk targets for overall beta (typically between 0.8 and 1.5), as well as preferred rating and sector allocation (typical range of +/- 20% relative to index weightings). These targets act as a guide when we then build the portfolio from the bottom-up.

Top-down investment process

Compelling Forces - driving alpha

As mentioned earlier, we believe that the best way to generate alpha in Emerging Market Corporate Debt Strategy is to focus on the portfolio from a bottom-up perspective, looking for our Compelling Forces: changes in fundamentals, valuation and market behaviour to drive returns. The bottom-up process is divided by sector with each analyst looking after their relevant sector scorecard. When initiating coverage on a new name, the analyst will perform detailed analysis on the name before presenting the results of their findings in a one-page document. This is accompanied by a financial model. The results are presented in our stock picks meetings which are ad hoc and often occur several times a week given the number of corporates under coverage. We recognise that there are a large number of companies issuing debt in our universe, and with the expected expansion of this market this will increase over years to come. In order to benefit from all opportunities presented by an index of this size we have developed an in-house screen to highlight attractive investment opportunities. This allows corporate debt analysts to focus in-depth on potential alpha opportunities. Where a name is not currently under coverage, we keep a very close eye on the screen to make sure that if a new name flags as an opportunity we initiate coverage on it immediately. Each analyst will cover a basket of approximately 40 names in depth at any one time.

We operate a three-stage process to our bottom-up analysis as follows:



Internal parameters and process are subject to change and not necessarily with prior notification. Current as at date of publication.

Stage 1: Screening

Initial quantitative screening is done based on absolute and relative valuation. This forms the quantitative aspect of the scorecard. We look at each individual bond and compare to the overall universe for value and against its own history of value. We assign a score based on the relative strengths of these metrics and screen on these scores. Once we have this score we move onto the second stage of screening using our relative valuation screen.

Ultimately, we are always seeking investment opportunities that are based on mispricing. The clearest way to identify mispricing is to screen bonds based on valuation. However, whilst an initial snapshot is useful it often fails to highlight the fact that there is a reason this name may be cheap or expensive. We therefore look at how cheap or expensive it has been historically to identify changes in this value. We believe this is the easiest and most timely way to pick up on any changes in fundamentals that the market is anticipating, and by running it daily there is a high probability of picking up information early through initial price moves before this expectation is fully priced in. Perhaps more importantly there may be a technical reason for a bond's change in relative value and the screen allows for identification of mispricing due to that technical position.

What the screen allows us to do is identify where the current bonds in our concentrated coverage list may begin to look expensive or move down the value chain, and where other bonds not currently included in our universe may look attractive enough to move into it. This means our existing coverage universe remains fluid with names dropping out and coming in over time.

Stage 2: Fundamental analysis

Our ability to pre-empt a rerating or identify those Compelling Forces is something we can only really do by tracking the companies, speaking to management, visiting the plants and truly understanding the business. This is why we will not invest in any name without an analyst committing to understanding that business and following it closely, and why we use a consolidated coverage universe provided by our screen. We track earnings revisions and earnings hits and misses where published, and always remain in contact with the companies in which we are invested. It is by following the companies closely and becoming familiar with their management style that we can quickly react to news flow and aim to pick up earlier than most investors on potential positive or negative developments.

Once the screen has identified all potential opportunities, any attractive corporate debts that do not feature in our current universe are flagged for investigation. The analyst will begin preliminary investigations to ensure there is no obvious reason the investment is not suitable such as fraud allegations or solvency issues. Once those basic checks have been made the analyst will then embark on in depth analysis of that corporate debt.

This involves:

- Speaking to bank analysts and rating agencies to provide an initial understanding of the business and identify key issues.
- Complete financial modelling of the company. Provide base case and downside scenarios and stress test those financials.
- Complete background checks on management where possible and speak directly to the company to get a better sense of management strategy and earnings outlook
- Collating information from meeting management (typically face to face), reading sustainability reports, speaking to third parties such as rating agencies and ESG data providers, sell side analysts and cross referencing with other companies in the same supply chain or sector
- Understand business drivers and positioning in sector/market
- Understanding structural ESG issues and how this will affect future ratings
- Examining bond structures and covenants to understand what protections are offered along with risks of breaching covenants.
- If any issues remain unclear such as lack of understanding of specifics when modelling, or management issues etc, they will be taken up with management again to ensure we fully understand the risks we take in the portfolio.
- Peer reviews are also conducted to provide a comparison within its sector.

Stage 3: Sector Scorecards

The final step is to then score the corporate in the sector scorecards we maintain to see where it ranks. All the corporates we cover are maintained in scorecards. This systematic approach covering a set of consistent metrics provides a common language for discussing corporate debt across all sectors and is used to assess all investments. This ensures a transparent, repeatable and attributable process exists. The scorecards pull together our views on the Compelling Forces for each corporate debt. They use the quantitative output from the screen along with softer factors.

The factors we use to score can be broken down into valuation, fundamentals and market behavioural factors:

- Valuations: combination of the quantitative score from the screen and a qualitative score assigned by the sector analyst
- Fundamentals: Qualitative scores assigned by the sector analysts. This incorporates several aspects such as quality of management, merger & acquisition catalyst, capex flexibility, refinance risk, government support / regulation, EBITDA margins and growth
- Market behaviour: Qualitative scores assigned by the sector analysts. These can help explain mispricing and evaluate the degree and the length of time that a mispricing may exist for. We include potential issuance and market positioning, index inclusion/investor base, liquidity of issue.

Ultimately this leads to an overall score that shapes our view of whether the corporate debt offers value. Our objective is always to capture mispricing or to pre-empt re-rating of corporate debt and help shape the analyst's buy/sell recommendations along with their conviction levels.

			Valutations				Fundamentals									Technicals								ESG Credit Impact			
Name	Spread	Yield	3 valuation drivers			Value Score	8 fundamental drivers								Corp Qual Score	3 technical drivers			Tech Score	Total Score	Rank	Change in Rank	Implied Notches Up / Down	Credit Rating Impact	Sensitivity Risk	ESG Credit Impact Score
IHS HOLDCO 8% 2027	586	7.45	1	0	0	0.25	0	0	0	0	0	1	1	0	0.25	0	-1	0	-0.33	0.13	1	+1	-2	-1	+3	-2
IHS HOLDCO 7.125% 2025	501	6.62	1	0	0	0.25	0	0	0	0	0	1	1	0	0.25	0	-1	0	-0.33	0.13	1	+5	-2	-1	+3	-2
GTH/ VIP 7 ¼ 04/26/23	176	3.39	-1	1	0	0	0	1	0	0	0	0	0	0	0.13	1	0	0	0.33	0.12	3	+0	+1	-1	+1	-1
MX America Movil 6 1/8% 2040	196	3.70	0	1	0	0.25	0	0	0	0	0	0	0	0	0.00	0	0	0	0.00	0.10	4	+4	+1	-1	+2	-1
RU VIP 4.95 06/16/24	175	3.35	0	1	0	0.25	0	-1	0	0	0	-1	0	0	-0.25	1	0	0	0.33	0.07	5	-1	+0	-1	+1	-1
TR TCell 2028	497	6.60	1	0	0	0.25	0	0	0	0	-2	1	0	0	-0.13	0	0	0	0.00	0.05	7	+14	-1	-1	+2	-1
MX America Movil 6 3/8% 2035	172	3.43	0	1	0	0.25	0	0	0	0	0	0	0	0	0.00	0	0	-1	-0.33	0.03	8	-2	+1	-1	+2	-1
MX America Movil 6 1/8% 2037	191	3.64	0	1	0	0.25	0	0	0	0	0	0	0	0	0.00	0	0	-1	-0.33	0.03	8	+3	+0	-1	+2	-1
C&W 7.5 10/15/26	362	5.35	0	0	0	0	0	0	0	0	0	1	1	0	0.25	0	-1	0	-0.33	0.03	8	+3	+0	-1	+2	-1
ZA LIQTEF 8 ½ 07/13/22	749	9.16	1	0	0	0.25	0	0	0	0	0	-2	-1	-1	-0.50	-2	0	-2	-1.33	-0.37	64	-10	-2	-1	-2	-1
CN Baidu 4 1/8% due 25	137	2.96	0	-1	-1	-0.75	0	0	0	0	0	0	0	0	0.00	-1	0	0	-0.33	-0.37	64	+0	+0	-1	+2	-1
CN Alibaba Group 3.6% 2024	100	2.59	0	0	-1	-0.5	-1	-1	0	0	0	1	-1	0	-0.25	-1	0	0	-0.33	-0.37	64	+0	+0	-1	+2	-1
CN Alibaba Group 4 1/2% 2034	165	3.36	1	-1	-1	-0.5	-1	-1	0	0	0	1	-1	0	-0.25	-1	0	0	-0.33	-0.37	64	+6	-1	-1	+2	-1
QA Qatar Telecom 4 1/2% 2043	177	3.53	-2	0	-1	-1	0	0	0	0	-1	0	0	0	-0.13	0	1	0	0.33	-0.38	68	-2	+3	+0	+0	+0
QA Qatar Telecom 4 3/4% 2021	53	2.36	-1	0	-1	-0.75	1	-1	-1	0	-1	0	0	0	-0.25	-1	1	0	0.00	-0.40	69	-1	+3	+0	+0	+0
CN Baidu 3 ⅞ 07/06/27	159	3.19	0	-1	-1	-0.75	0	0	0	0	0	-1	0	0	-0.13	-1	0	0	-0.33	-0.42	70	-9	+0	-1	+2	-1
CN Huawei 4% 02/21/27	224	3.85	2	-1	-1	-0.25	-1	0	0	1	-2	0	0	-2	-0.50	-2	-1	0	-1.00	-0.50	71	+0	-2	-1	+3	-2
CN Huawei 4.125% 05/06/26	214	3.74	2	-1	-1	-0.25	-1	0	0	0	-2	0	0	-2	-0.63	-2	-1	0	-1.00	-0.55	72	+0	-2	-1	+3	-2
CN Huawei 4.125% 2025	202	3.61	2	-1	-1	-0.25	-1	0	0	0	-2	0	0	-2	-0.63	-2	-1	0	-1.00	-0.55	72	+0	-2	-1	+3	-2

Integrated ESG scoring

Candidates to buy

Candidates to sell if held

Source: Ninety One. This is not a buy, sell or hold recommendation for any particular security, dummy data is for illustrative purposes.

Once the analyst has analysed the business and scored the corporate within the scorecard, they will write up a detailed note on the company with a (i) buy/sell recommendation (ii) fair value spread target (which will help determine the potential total return) and (iii) a level of conviction being low medium or high. The note will consist of a credit profile, key drivers, strengths and weaknesses, any covenant issues, a peer comparison and financial model where appropriate.

Both peer comparisons and financial modelling play a large role in individual company analysis. Our models allow us to run 'stressed' scenarios in order to determine how much headroom a company has before debt repayment becomes problematic. We pay particular attention to free cashflow and capex plans and the ability to adjust the capex spending.

Final investment recommendation

The team will discuss the initial recommendation and the note, go through the peer comparison (and financial model where appropriate) and understand the Compelling Forces driving the recommendation. All potential investments are discussed using a relative value framework. Specifically, the team will weigh the risk profile of the investment idea against the potential total return that could be achieved. This will then be compared to other existing and/or potential investment opportunities, referencing the scorecards to see if it warrants a position in the portfolio. This is the point at which the final recommendation is reached.

Considered portfolio management

Investment decision

Any trade recommendation requires sponsorship from two or more team members to be implemented, although ultimately the final decision rests with the Portfolio Manager, who will need to determine (i) if they agree with the analyst's rationale and (ii) how the proposed investment will impact the overall portfolio in terms of regional/sector exposure, beta and single-name risk.

Portfolio construction and implementation

The final portfolio typically comprises a diversified list of 50-80 names. The level of the risk-adjusted return and relative value of each security drive name selection, whilst conviction, beta, liquidity and suitability for the portfolio by way of diversification drive position size. All positions are taken within the context of top-down sector, beta and IG/HY targets. Our internal guidelines limit individual corporate exposures to 4% to limit the potential downside idiosyncratic risks, although most typically take a 1% to 3% position per issuer, dependent on conviction levels.

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Importantly, we use forward-looking risk measures (such as ratings, CDS spreads, our assessment of geo-politics) to classify countries in addition to backward-looking risk (volatility).

The beta of the portfolio is also monitored closely and ranges between 0.8 – 1.5.

Holdings in the portfolio are subject to ongoing monitoring with sensitivity analysis carried out on an individual corporate debt level and at a portfolio level. The portfolio is tested for systemic risks and are eradicated where necessary. Examples of systemic risks would be:

- Refinancing risks
- earnings volatility / leverage sensitivity to big FX moves
- labour force strikes /systemic wage hikes in a specific country or sector
- exposure to a specific region via end clients of the companies in the portfolio, for example exporters whose main clients are in China.

Implementation is assisted by state-of-the-art portfolio management and risk systems. thinkFolio, our main portfolio management system, allows straight-through processing, what-if analysis and ensures that all transactions are within individual portfolio guidelines. The MSCI BarraOne risk model is used for real-time ex-ante risk analysis and to calibrate risk budgeting. Our independent risk management team also use MSCI BarraOne to calculate and monitor tracking error and Value-at-Risk on a daily basis. When certain levels are reached, specific action is required from the portfolio manager. A daily analytics pack is produced with all risks and positioning highlighted such as beta, duration buckets, and ratings buckets broken down by sector and region.

Daily performance attribution is also calculated and broken down by sector, country, region, rating and underlying interest rate exposure. The daily attribution allows the Portfolio Manager to isolate very quickly any underperforming or outperforming trades which allows us to react in cutting or adding to positions. It also helps to confirm the validity of the calculated individual betas and the overall portfolio beta and aids in the understanding of correlations within the asset class. In addition, a monthly risk report and a detailed quarterly report back are conducted by the risk management team and senior management.

Investment risk management and key characteristics

We have a comprehensive Governance and Oversight structure in place at Ninety One to manage risk throughout the business and this includes our approach to investment risk.

Managing risks across our investment strategies is an integral part of the portfolio management process and consists of both explicit limits as well as additional measures to ensure that the appropriate level of risk is employed to meet the risk and return objectives of our investors.

The four main areas that are of primary focus to Ninety One from an investment risk perspective are:

1. **Philosophy and Process:** Ensuring that investment capabilities adhere to investment style and mandate.
2. **Research and Analysis:** Confirming that suitable research and analysis underpins the investment decision-making process.
3. **Concentration and Liquidity:** Cognisance of the strategy's concentration and liquidity characteristics.
4. **Risk Measurement:** Making sure appropriate risk measurement and stress testing is carried out.

Investment characteristics

The investment characteristics and risk controls of Ninety One's Emerging Markets Investment Grade Corporate Debt Strategy are as follows:

Emerging Markets Investment Grade Corporate Debt Strategy

Benchmark	JP Morgan Corporate Emerging Markets Bond Broad Diversified Investment Grade Index ("CEMBI Broad Diversified IG")

Risk controls

Typical number of issuers	50 - 80
Duration	Benchmark +/- 2yrs
High Yield	0 – 10%
Investment Grade exposures	90 - 100%
Maximum per Country	Benchmark +/- 15%
Individual credit exposure	Maximum 4% by issuer, typical size 1-3% (top pick) +20% maximum by region versus benchmark +/-20% maximum by sector versus benchmark
Off benchmark	30%
Cash	Maximum 10%
Beta	0.8-1.5

Note: These are internal parameters and subject to change without notification. These are for information purposes and describe the current investment process.

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For further information on the investment team, investment process, performance target and indices, please see the Important information section.

General risks:

The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth.

Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations.

Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made.

Specific risks:

Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

Default: There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss.

Derivatives: The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.

Emerging market: These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems.

Interest rate: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise.

Liquidity: There may be insufficient buyers or sellers of particular investments giving rise to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than might be anticipated.

For further information on the investment team, investment process, performance target and indices, please see the Important information section.

Environmental, Social and Governance integration

Environmental, Social and Governance (ESG) integration is a priority for the leadership at Ninety One. We believe it adds more value to our clients to treat material ESG issues as an integral part of the investment analysis process rather than as a separate procedure.

We have a dedicated global ESG team, which is steered by a senior Investment Governance Committee. Together with all the investment teams, the ESG team focuses on integration strategies, ESG research and engagement efforts.

ESG integration within EM Corporate Debt

As we have developed our process, we have further explicitly articulated our views on ESG considerations within an ESG sector specific scorecard that complements the main fundamental sector scorecard. This additional scorecard is split in two; 1) the articulation of the ESG risk factors affecting the issuer and 2) quantification of those risk factors into potential credit impact and time sensitivity of the impact in order to generate a credit impact score. The second part is determined by the investment specialist when incorporating the key ESG risk factors and considering the potential financial implication and timeframes behind that impact. Specifically, we consider below factors:

Environment

1. Carbon emissions and carbon footprint, as well as climate change vulnerability
2. Impact on natural capital, mainly via water and land use
3. Pollution and waste, including recycling, packaging and emissions

Social

1. Relations with employees: unionisation, strikes, type of work and, if disclosed, size of workforce (change over time), gender diversity, employee training and accident rates
2. Relations with community: Community support (protests?) and use of local suppliers
3. Product liability, which includes quality of products/services and anti-competitive pricing

Governance

1. Exposure to corruption risk, whistle blowing programmes, anti-fraud, bribery and corruption policies
2. Regulatory risk, tax transparency and payments as well as compliance with international standards
3. Corporate governance, board structure and independence, audit committee, accounting policies and any prior investigations

We define the factors we assess for E, S and G under five categories

1. **Top down:** Which considers the material structural risk of the sector
2. **Policies:** company specific policies which we think demonstrate the strength of operational checks and balances to mitigate structural risks
3. **Impact:** evidence based metric that assesses the overall success of the company in achieving best in class
4. **Controversies:** highlights where a company has failed to deliver
5. **Adaptability:** assess how well a company has future proofed themselves for changing ESG trends, including opportunities to grow due to changing regulations

Source: Ninety One, 31 December 2019.

This enables us to formally record relevant ESG factors on an ad hoc basis and with an annual formal review, alongside our main fundamental scorecard and one page credit note. Combining our ESG specific scorecard with our main scorecard ensures a complete consideration of all relevant risk and opportunities prior to position taking. Moreover, it allows companies to be ranked on different factors or overall scores.

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For further information on the investment team, investment process, performance target and indices, please see the Important information section.

ESG scorecard articulates and quantifies key risks

	Articulation																Interpretation		
	Environmental Risk Exposure				Social Risk Exposure					Governance Risk Exposure					ESG		ESG Credit Impact		
	Climate Change	Nat Cap and Pollution & Waste	Environmental Adaptability	Total E	Product Liability	Human Capital	Stakeholder Contribution	Social Adaptabiltiy	Total S	Corporate Governance	Corruption Risk	Governance Regulatory Risk	Governance adaptability	Total G	Total Score	Rank	Credit rating Impact	Sensitivity Risk	ESG Credit Impact Score
Millicom	60	68	50	**64**	59	64	69	65	**63**	77	74	67	50	**73**	68	**1**	-1	2	-1
Bharti	88	66	50	**77**	35	60	48	75	**52**	69	69	58	50	**66**	64	**2**	0	0	0
Axtel	63	68	50	**66**	61	58	61	65	**60**	70	61	67	50	**65**	64	**3**	-1	2	-1
Televisa	55	61	50	**58**	39	54	60	75	**53**	79	62	75	50	**69**	62	**4**	-1	2	-1
America Movil	61	67	50	**64**	46	69	61	50	**58**	65	61	63	50	**62**	61	**5**	-1	2	-1
Turk Telecom	55	70	50	**62**	61	56	58	65	**59**	66	56	67	50	**61**	61	**6**	0	0	0
MTS	49	68	50	**59**	47	62	66	50	**57**	71	61	67	50	**62**	60	**7**	-1	1	-1
Entel	49	58	50	**53**	44	59	50	65	**53**	66	65	67	50	**65**	59	**8**	-1	1	-1
Naspers	43	54	50	**48**	42	46	58	65	**50**	75	62	75	50	**68**	59	**9**	-1	1	-1
Alibaba	55	61	50	**58**	44	37	51	65	**46**	71	62	63	50	**64**	58	**10**	-1	2	-1
VIP	55	60	50	**58**	45	57	66	65	**56**	53	60	60	50	**58**	57	**11**	-1	1	-1
HTA	55	54	65	**58**	77	45	47	50	**58**	72	44	67	50	**57**	57	**12**	-1	2	-1
IHSHLD	48	56	75	**59**	77	40	47	50	**56**	69	44	67	50	**56**	57	**13**	-1	2	-1
LIQTEF	49	56	50	**53**	44	40	58	50	**45**	69	56	67	50	**62**	55	**14**	-1	2	-1
MTN	55	60	75	**63**	52	63	47	75	**59**	74	39	46	50	**49**	55	**15**	-1	2	-1

Source: Ninety One, 5 April 2019

Our ESG framework feeds into our fundamental scores in our main scorecard but it only reflects structural views. The overall assessment of fundamentals must also consider the importance of macroeconomic environment/cyclicality on fundamental health as this can amplify or dampen the effect of structural issues. Therefore, we also record minutes of where ESG has been a driver of change in fundamental scores alongside our main scorecard. The fundamental scorecard also includes the value score which is then referenced to the credit impact score to check we agree that what is priced in for downgrades is commensurate with our expectation of credit impact. If this is not the case, we note why other factors such as cyclical factors should create a misalignment.

In addition, we look to promote ESG principles through our engagement process. Our approach to engagement with corporate issuers includes requesting information to understand company policies and activities. We share insights and concerns with management to help them understand why we will not invest/disinvest if they have material weaknesses that they are not addressing. The point of our engagement is to improve a company's overall credit quality and structural resilience which in turn will directly determine the discount factor or cost of debt. We also work with market participants and global organisations to progress ESG adoption across the companies we invest in and improve visibility of ESG across the financial industry, working with index providers, charities and specialist agencies.

Appendix - biographies

Victoria Harling

Head of Emerging Market Corporate Debt
Joined the firm in 2011
Joined the industry in 1997

Victoria is Head of Emerging Market Corporate Debt and is responsible for managing the Emerging Market Corporate Debt Strategy and the Emerging Market Investment Grade Corporate Debt Strategy at Ninety One.

Victoria joined Ninety One in 2011 from Nomura International. Victoria previously spent over three years working with emerging market trading desks and capital markets teams for Standard Bank and Nomura. She also spent two years running hedge fund and proprietary trading strategies for Rand Merchant Bank and Whitebeam Capital Management. Prior to this, Victoria spent over eight years working for Henderson Global Investors where she was responsible for running emerging market debt portfolios.

Victoria graduated from Leeds University with a Bachelor of Science degree in Biochemistry with Molecular Biology. In addition, she is a CFA Charterholder.

Alan Siow

Portfolio Manager
Joined the firm in 2019
Joined the industry in 2004

Alan is a portfolio manager in the Fixed Income team at Ninety One with responsibility for Emerging Markets Corporate Debt and All China Bond.

Prior to joining the firm, Alan worked at BlueBay Asset Management where he was a portfolio manager specialising in emerging markets. From 2008 to 2011 Alan worked at Alchemy Special Situations as an executive responsible for European distressed debt and special situations investing. Prior to Alchemy, Alan was a vice president in fixed income at Citigroup Salomon Smith Barney. Alan started his career at Deloitte in Australia.

Alan graduated with a Bachelor of Commerce, first class honours (Accounting and Finance) degree from the University of Western Australia and completed a Masters in Business Administration at INSEAD, France. He is also a qualified Chartered Accountant (Australia and New Zealand).

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For further information on the investment team, investment process, performance target and indices, please see the Important information section.

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Investment Team

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Performance Target

The target is based on Manager's good faith estimate of the likelihood of the performance of the asset class under current market conditions. There can be no assurances that any Strategy will generate such returns, that any client or investor will achieve comparable results or that the manager will be able to implement its investment strategy. Actual performance of Strategy investments and the Strategy overall may be adversely affected by a variety of factors, beyond the manager's control, such as, political and socio-economic events, adverse changes in the interest rate environment, changes to investment expenses, and a lack of suitable investment opportunities. Accordingly, target returns may be expected to change over time and may differ from previous reports.

Specific Portfolio Names

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