

# LetkoBrousseau

## EMERGING MARKETS STRATEGY

As of December 31, 2022

### Strategy

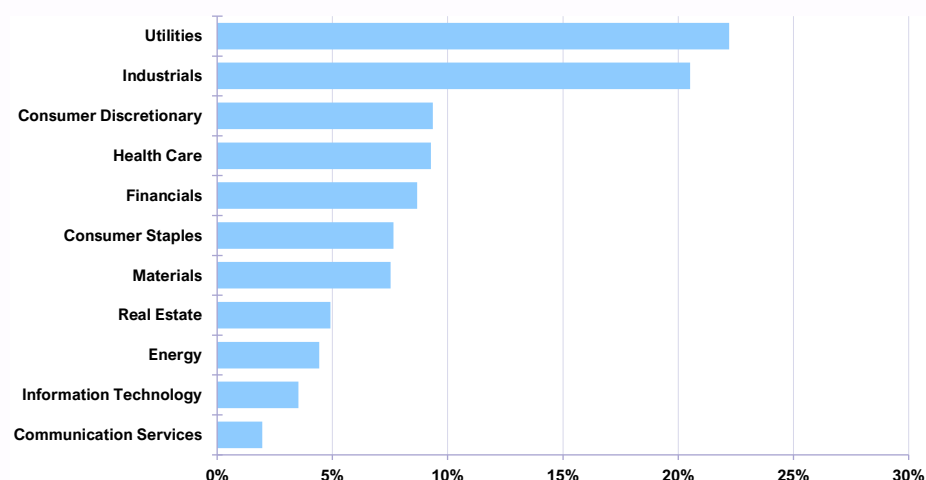
The strategy is designed for investors with a long-term investment horizon seeking a diversified emerging markets equity portfolio. LBA has been investing in emerging markets since 1988. We offer a compelling value proposition based on our knowledge-based investing approach, collaborative team structure, price discipline, and low fees.

### Firm Profile

Founded in 1987, Letko, Brousseau & Associates Inc. (LBA) is one of Canada's largest independent investment managers with approximately \$16.3 billion managed. We offer a select number of broad investment strategies including Global Balanced, Fixed Income, Global Equity, Canadian Equity Income, Fossil Fuel Free Equity, Emerging Markets Equity, Canadian Equity, EAFE Equity and Infrastructure Equity where we feel we can add value through our disciplined knowledge-based investment approach.

<b>Inception Date</b>	July 1, 2011
<b>Category</b>	Equity
<b>Investment Options</b>	Segregated Account (\$5 million) Pooled Fund Account (\$1 million)

### Sector Weightings<sup>(1)</sup>



### Compounded Annualized Returns<sup>(2)</sup> (in Canadian dollars)

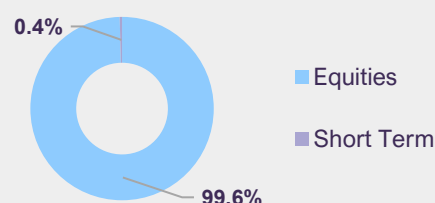
	1 year	3 years	5 years	10 years	Since Inception
<b>LBA Emerging Markets Composite</b>	<b>-5.65%</b>	<b>6.56%</b>	<b>5.75%</b>	<b>9.55%</b>	<b>7.74%</b>

(1) Information shown is based on the Letko Brousseau Emerging Markets Composite.

\*For the # of Holdings and Turnover Ratio the information shown is of a representative account, in this case the Letko Brousseau Emerging Markets Equity Fund.

(2) Data is preliminary. This Composite includes all discretionary emerging markets equity mandates with asset mix targets for fixed income securities of less than 10%. The Composite assets as of December 31, 2022 were \$1.4 billion or 8.6% of assets under management. Performance results reflect the reinvestment of dividends, income and other earnings and are presented net of all withholding taxes. Reclaimable withholding tax refunds are recognized when received. Performance results are presented before management and custodial fees but after trading commissions. Custody/administration costs may vary depending on client's custody arrangement and account.

### Asset Allocation<sup>(1)</sup>



### Characteristics<sup>(1)</sup>

<b>Average Dividend Yield</b>	4.5%
<b>Forward P/E Ratio</b>	9.3
<b>Average Market Cap</b>	CA\$32.7 bil
<b>Active Share</b>	95%
<b># of Holdings*</b>	59
<b>Turnover Ratio*</b>	18%

### Country Weightings<sup>(1)</sup> (%)

Country	Weight(%)
China	25.43%
India	17.56%
Brazil	16.40%
Mexico	13.08%
Philippines	7.21%
Indonesia	4.55%
Peru	3.99%
Republic Of Korea	1.98%
United Arab Emirates	1.82%
Panama	1.57%
<b>Sum of Remaining Countries</b>	<b>6.41%</b>



### Portfolio Strategy Commentary<sup>(3)</sup>

#### Geely Automobile Holdings

During the quarter, the Fund reinitiated a position in Geely Automobile Holdings Limited, a leading Chinese automotive equipment manufacturer, with 6% market share in China. Through the years, we have witnessed Geely's evolution from a small car manufacturer in China to the largest Chinese OEM by volume. It has since grown its portfolio, focusing on electric vehicle sales (accounting for over 20% of its total sales volume), international sales, and its premium brand, Lynk. Although we have owned Geely shares for over ten years, we sold our position in 2021 when the share price was peaking. In April 2022, following China's COVID-19 lockdowns and the subsequent decline in Geely's share price, we took the opportunity to partially buy back our Geely position at RMB 12 per share. The company was trading at 14x depressed earnings with a solid balance sheet. As lockdowns are relaxed and people get back to their normal lives, we believe there will be increased demand for Geely cars. We expect the company to grow revenue and earnings by approximately 10%-15% annualized over the next three to five years.

#### Alibaba

The fund added to its position in Alibaba Group Holding Ltd., the largest ecommerce platform in the world (based on GMV: gross merchandise volume) and #1 cloud vendor in China/Asia. Negative sentiment towards Chinese equities, due to restrictive COVID policies, provided us with a temporary window of opportunity to buy the shares for as low as \$69; not much more than the \$48 of net cash and investments on the balance sheet. We believe Alibaba is well positioned to benefit from further ecommerce growth in Asia and the transition of corporations to cloud-based services over time. We expect earnings to grow by more than 10% annually. The shares are trading at 14x next year's earnings and a very attractive 8x earnings after adjusting for the large net cash/investment position.

#### Companhia de Saneamento Básico do Estado de São Paulo

During the quarter, the Fund opportunistically crystallized gains by reducing its position in Companhia de Saneamento Básico do Estado de São Paulo (SABESP), the largest water and sewage provider in Brazil and one of the largest in the world. The company serves 28.5 million people, or 67% of the urban population in the State of São Paulo, the most populous state in Brazil. Between 2011 and 2019, SABESP accounted for one-third of Brazil's total investments in basic sanitation services. In Q3 2022, SABESP saw revenue growth of 17% in its waste and sewage business, driven by volume growth, tariff increases and user mix improvement. Earnings before interest, taxes, depreciation, and amortization (EBITDA) was up 19% and net profit was up 30% on a recurring basis, mainly driven by gross margin improvement and cost control initiatives. With a strong track record and the long-term improvement in the regulatory environment, SABESP should be well positioned to benefit from the increasing demand for basic sanitation services in Brazil. The company is currently trading at 11.6x P/E, with an enterprise value/EBITDA ratio of 6.7x 2023E, and a dividend yield of 2.4%.

### Top 10 Holdings<sup>(4)</sup>

	Weight(%)
Sinopharm Group Co	3.77
Manila Water Company	3.75
Copel - Cia Paranaense De Energia	3.71
Cia Saneamento Basico	3.31
Grupo Aeroportuario Del Centro Norte	3.28
Reliance Industries	3.23
Concentradora Fibra Danhos Reit	3.10
China Water Affairs Group	2.93
Shandong Weigao Gp	2.77
Power Grid Corp Of India	2.67

(3) The transactions mentioned in the Portfolio Strategy Commentary section are of a representative account, in this case the Letko Brosseau Emerging Markets Equity Fund and do not represent all the securities bought or sold in the fund during the quarter. A list of all purchases and sales made during the past year can be provided on request. It should not be assumed that an investment in these securities was or will be profitable.

(4) Information shown is based on the Letko Brosseau Emerging Markets Composite.

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