



Acadian Asset Management LLC Emerging Markets Portfolio Second Quarter 2021

Performance

The Acadian Emerging Markets Portfolio returned +6.7% (net of fees) for the quarter, versus a return of +5.1% for the MSCI Emerging Markets Equity Index (net).[†]

Commentary

During the second quarter of 2020, the MSCI Emerging Markets Index (net) rose 5.1%. Still, emerging markets were hit with a double punch of rising inflation and a strengthening dollar. To offset depreciation in their own currencies and to control inflation, many central banks hiked interest rates. With high COVID-19 case counts and incomplete economic recoveries, these countries risk stifling their economic rebound. Emerging oil-producing countries were better positioned to handle rising inflation as prices continued to rise. With respect to markets, Chinese stocks rose though many economic indicators fell short of expectations, suggesting the recovery is losing momentum. Supply bottlenecks and new COVID-19 outbreaks in key manufacturing locations held back growth. Indian equities gained value as markets recovered from prior underperformance. Job losses and soaring medical expenses from the catastrophic coronavirus surge weighed on the country's economic recovery. Meanwhile, Brazilian markets also advanced despite political turmoil and still-high COVID-19 infection rates. Surging prices forced the central bank to hike rates, potentially dampening the economic recovery.

Against this backdrop, the Acadian Emerging Markets Portfolio outperformed its benchmark[†], driven primarily by stock selection, but also bolstered by positive allocation effects. Stocks with positive quality and momentum signals contributed to active returns. From a country perspective, the portfolio benefitted from selection in Taiwan, India, South Korea, and South Africa. Unfavorable selection within Brazil, China, and Turkey detracted modestly. Country allocation effects were mostly positive, driven by the portfolio's overweights to Brazil, Taiwan, and Hungary, as well as underweights to Thailand, Indonesia, Chile, and China.

Meanwhile, from a sector perspective, selection within Financials, Consumer Discretionary, Industrials, Energy, Consumer Staples, and Utilities delivered the strongest results. Information Technology, Materials, and Communication Services erased some of those gains. Allocation effects were muted, with positive allocation driven by the portfolio's overweights to Industrials and Materials, while underweights Health Care and Energy neutralized those gains.

Similar to developed markets, the economic rebound in emerging markets has continued to gather momentum, even as the new Delta variant prompts new restrictions, though lackluster vaccination progress remains a headwind. Nevertheless, a vigorous manufacturing cycle and decade-high commodity prices have been dominant drivers in emerging market growth. We believe the portfolio is positioned well in the current market environment to reap the rewards of prudent and disciplined stock selection.

[†]Source of index returns: MSCI. Copyright 2021 MSCI.

Performance data quoted represents past performance. Past performance does not guarantee future results. Annualized performance as of June 30, 2021 is: 43.30% (1 Year); 12.11% (5 Years), and 3.88% (10 Years). 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 and current performance may be lower or higher than the performance quoted. Total expense ratio for the fund is 1.40%. Shareholders may pay a redemption fee of 2% when they redeem shares held for less than 90 days. For performance data current to the most recent month end, please call 1-866-AAM-6161. The fund's benchmark was changed March 1, 2012 to the MSCI Emerging Markets Index. Prior to that, the benchmark had been the IFC Investable Index.

Past performance is no guarantee of future performance and may differ significantly from future performance due to market volatility.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Mutual fund investing involves risk including loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. The fund is non-diversified.

To determine if this fund is an appropriate investment for you, carefully consider the fund's objectives, risk factors, charges, and expenses before investing. This and other information can be found in the fund's full and summary prospectuses, which can be obtained by calling 1-866-AAM-6161. Please read the prospectus carefully before investing.

The Acadian Emerging Markets Portfolio is distributed by SEI Investments Distribution Co, which is not affiliated with Acadian Asset Management LLC.

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