



Acadian Asset Management LLC

Emerging Markets Portfolio

Fourth Quarter 2021

Performance

The Acadian Emerging Markets Portfolio returned 0.25% (net of fees) for the quarter, versus a return of -1.24% for the MSCI Emerging Markets Equity Index (net).[†]

Commentary

In the fourth quarter, the MSCI Emerging Markets Equity Index (net) fell 1.24% lagging their developed counterparts. Rising inflation remained a focal point, intensified by tangled supply chains and demand vastly outpacing supply. Emerging market central banks had the added complexity of balancing and deescalating political volatility amid this turbulent mix. Several central banks in Eastern Europe and Latin America raised their rates in order to quell civil upheaval, while others in southeast Asia, where inflation is less of a concern, left theirs unchanged or even cut. With respect to specific markets, China's slowing economic activity continued amid a prolonged property industry slump. The government showed no signs of stopping its intervention into the corporate sector. Brazilian markets fell as the central bank's successive rate hikes coupled with persistent political instability weighed on equity markets and the currency. Meanwhile, Turkish equities gained value, benefitting from the country's steady economic growth, healthy export figures, and strong company earnings (led by the banking sector). Still, the tumbling lira remained a concern.

Against this backdrop, the Acadian Emerging Markets Portfolio outperformed its benchmark[†], due to a combination of stock selection and allocation effects. Quality companies did well and Acadian's proprietary peer and top-down model outlooks also added to active returns.

Within countries, stock selection was positive within India, Brazil, Taiwan, and China. Poor selection within Saudi Arabia detracted slightly from these gains. Allocation effects were overall slightly negative. Positive allocation came from our overweight to Taiwan, while negative allocation effects from our overweight to Hungary offset the gains.

At the sector level, positive stock selection was prevalent within information technology and consumer discretionary, while poor selection within materials, financials, energy, and utilities marginally detracted. Allocation effects were generally positive, coming from an overweight to IT and underweight to health care.

[†]Source of index returns: MSCI. Copyright 2022 MSCI.



Outlook

Emerging markets faced a challenging year in 2021; Chinese regulatory action, combined with the Evergrande debt crisis, COVID-19 case surges, and global supply chain bottle necks weighed heavily on the asset class. Inflation and expected U.S. rate hikes in 2022 also injected fear into the markets.

As we head into 2022, global expansion is set to continue at an above average pace, including EM economies. However, the course of growth will be mixed and dependent on a few uncertainties: the pandemic and government response to the pandemic, inflation, and the overall state of geopolitics.

As we saw in 2021, the Acadian Emerging Markets Portfolio was positioned nicely to take advantage of the volatility and dislocations in emerging markets. Active management has proved fruitful, driven by stock selection, and we believe now may be a great time allocate to emerging markets.



Performance data quoted represents past performance. Past performance does not guarantee future results. Annualized performance as of December 31, 2021 is: 6.96% (1 Year); 9.28% (5 Years), and 5.67% (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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