Westwood International Advisors, Inc.

Emerging Markets – Portfolio Update

As of March 23, 2020

We maintain conviction across our portfolio at this time, strategically adding to name-specific opportunities such as in Energy, where multi-year lows in oil prices have resulted in extreme valuations in E/P names. Many companies will also stand to benefit from further government stimulus, i.e., infrastructure investment. With sentiment reaching historically high levels of fear and panic, we see opportunities in areas that may benefit once more rational pricing prevails, such as in steel and copper, and even oil, where prices are at unsustainable lows. One area in particular that we are focusing on is Technology, where we are focusing our efforts on companies that are players in trends associated with 5G infrastructure expenditure. Other areas of interest include EV growth and penetration, natural gas usage and mobile services.

We continue to focus on quality holdings whose share prices we believe have declined unreasonably and where quality assets are almost priced for free. In particular, those companies that may be more resilient in a volatile and uncertain growth environment such as in Consumer Staples, even in oversold markets like Brazil and South Africa.

While we know that we cannot be fully immune to market sell-offs, we should fare better by positioning the portfolio in companies with sustainable business models, a structural growth story, brands with strong demand, and/or companies that exhibit positive attributes such as healthy balance sheets, low leverage and stable cash balances.

We have developed a priority list of companies whose share prices are poised to recover quicker once the crisis is deemed to be over, and volatility subsides. This was the same exercise we undertook during the months of November – January 2008 during the GFC. During that time, we succeeded when the market turned positive in March 2009.