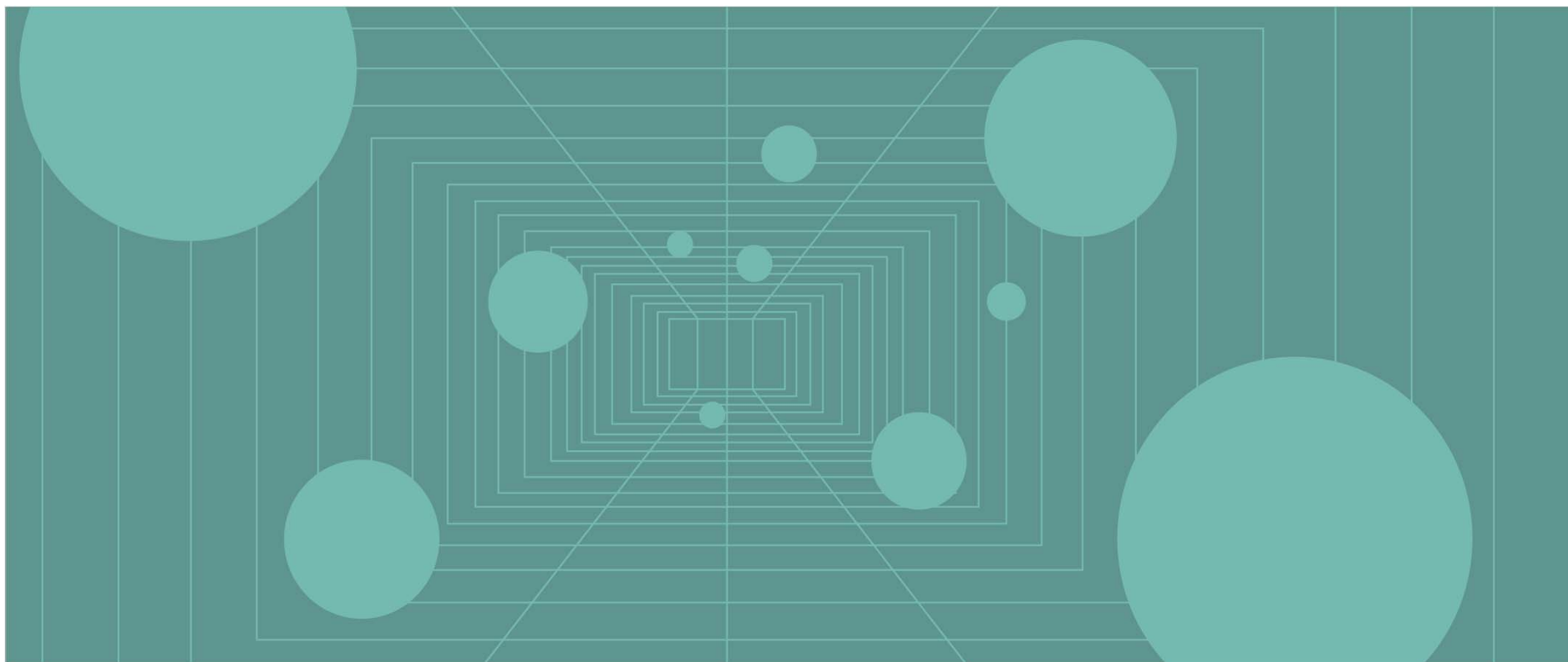


# GLOBAL EX US EQUITY MANAGER PERFORMANCE

ANALYSIS OF 2020 AND PERFORMANCE SINCE 2000



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## Summary Observations

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- In 2020, 62.9% of active global ex US managers outperformed the MSCI EAFE Index, gross of fees, with the median manager outperforming by 334 basis points (bps), the highest margin in a decade. The median manager has now outperformed the index in 15 of the last 16 calendar years.
- After adding a fee proxy of 70 bps, 60% of managers outperformed the benchmark in 2020, including 26% outperforming by at least 1,000 bps. The majority of managers have outperformed the fee-adjusted index in eight of 12 calendar years since the Global Financial Crisis (GFC).
- By style, the median growth manager in the global ex US category bested value and diversified strategies. All three strategies outperformed their respective style benchmarks for the year, although value was the only style to underperform the broad market index. Styles can experience cyclical shifts in the longer term; although growth has usually outperformed since the GFC, value outperformed growth in seven of nine years from the dot-com bubble to the GFC.
- On a median basis, managers were significantly overweight the IT sector, which was by far and away the best-performing sector again in 2020. Conversely, managers held underweight positions in all four underperforming sectors, including sizable underweights in consumer staples and real estate.

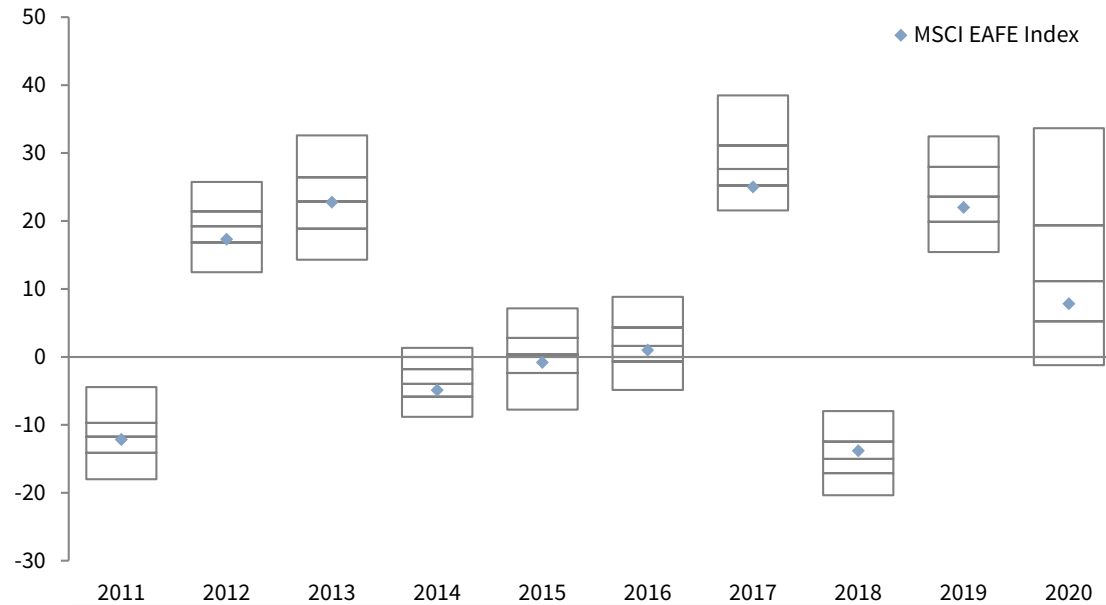
## Summary Observations (continued)

- On a median basis, managers were underweight all six countries to which the MSCI EAFE Index has a weight greater than 5%. The largest absolute underweight was to Japan, whereas the largest proportional underweight was to Australia—both of which outperformed the broader index in USD terms. Global ex US equity managers tend to make numerous off-benchmark country bets. In 2020, there were seven different countries not in the MSCI EAFE Index where at least 40% of managers had allocations: Brazil, Canada, China, India, South Korea, Taiwan, and the United States. The majority of these countries outperformed the broad MSCI EAFE Index in USD terms.
- High dispersion in stock returns is often thought to mean more managers will outperform. In fact, no meaningful relationship exists. Rather, stock return dispersion is more likely to increase the dispersion of managers' excess returns—greater stock dispersion gives managers more of an opportunity to separate from the pack, but this can be to the upside or the downside. In 2020, stock return dispersion reached its highest level since 2009, and manager excess return dispersion reached a new high since data began in 2000.
- Persistence in manager outperformance is rare, and movement among performance quintiles is fairly common. Of the top-performing quintile of global ex US equity managers in the 2011–15 period, one quarter placed in the bottom two quintiles over the subsequent five-year period (2016–20). Similarly, 27% of bottom-performing managers in the initial five-year period were in the top two quintiles in the most recent five-year period.

## 63% of managers outperformed the index in 2020

### GLOBAL EX US EQUITY MANAGER ANNUAL RETURNS BY QUANTILES

2011–20 • Percent (%)



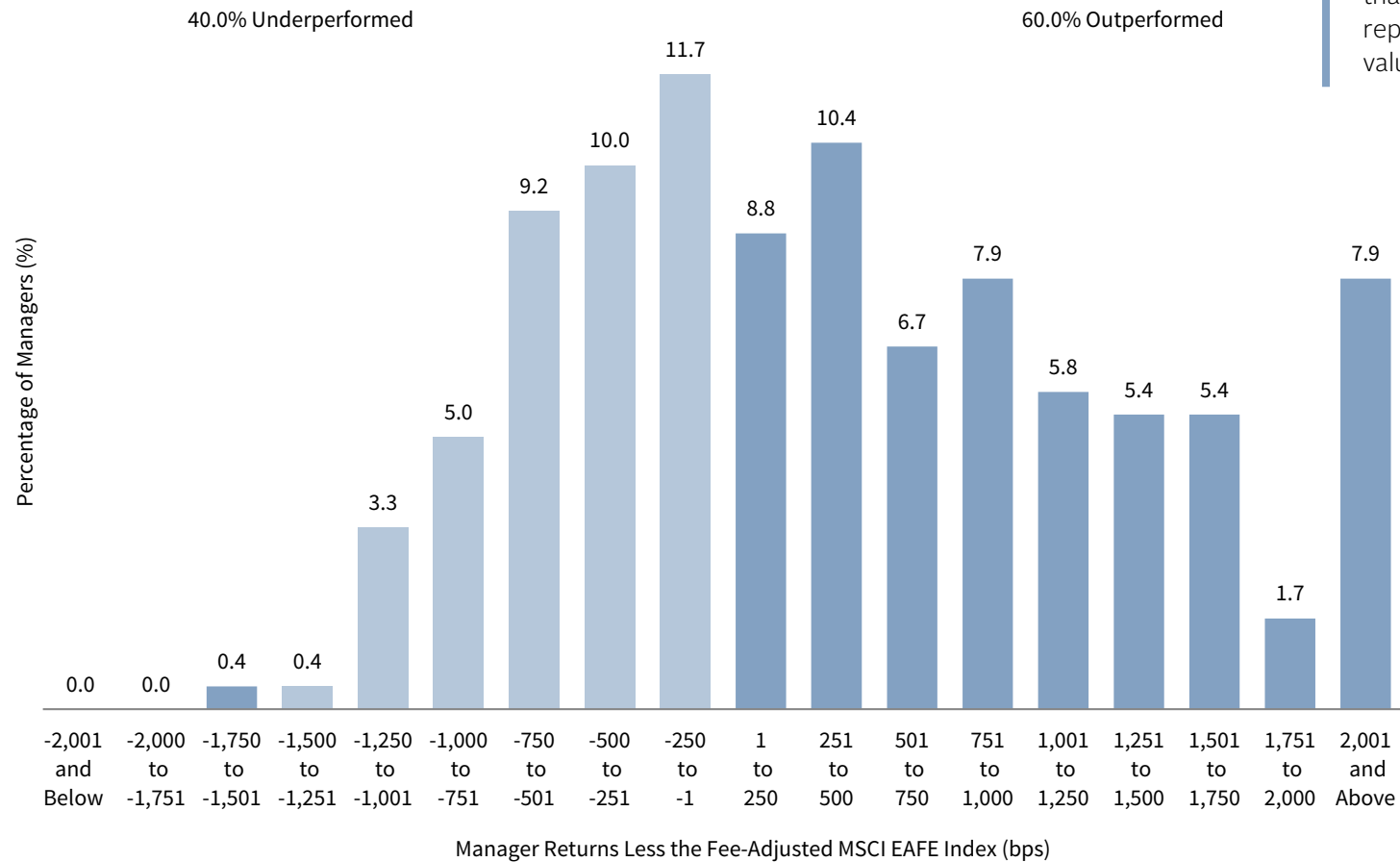
The median manager outperformed the index by 334 bps—the highest out-performance in a decade—and for the 15th time in the last 16 years.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
5th Percentile	-4.4	25.8	32.6	1.3	7.2	8.9	38.5	-8.0	32.5	33.7
25th Percentile	-9.7	21.4	26.4	-1.8	2.8	4.3	31.1	-12.5	28.0	19.4
Median	-11.7	19.2	22.9	-4.0	0.4	1.6	27.7	-15.0	23.6	11.2
75th Percentile	-14.1	16.9	18.9	-5.9	-2.4	-0.7	25.2	-17.1	19.9	5.2
95th Percentile	-18.0	12.5	14.3	-8.8	-7.8	-4.9	21.6	-20.4	15.4	-1.2
MSCI EAFE Index	-12.1	17.3	22.8	-4.9	-0.8	1.0	25.0	-13.8	22.0	7.8
# of Managers	295	292	295	296	302	296	291	286	280	240
% Outperforming	55.9	69.2	50.8	63.2	63.6	55.4	76.3	38.5	61.8	62.9
% Underperforming	44.1	30.8	49.2	36.8	36.4	44.6	23.7	61.5	38.2	37.1

## Adjusted for fees, the percentage of outperformers in 2020 was 60%

### MANAGER RETURNS RELATIVE TO THE FEE-ADJUSTED MSCI EAFE INDEX

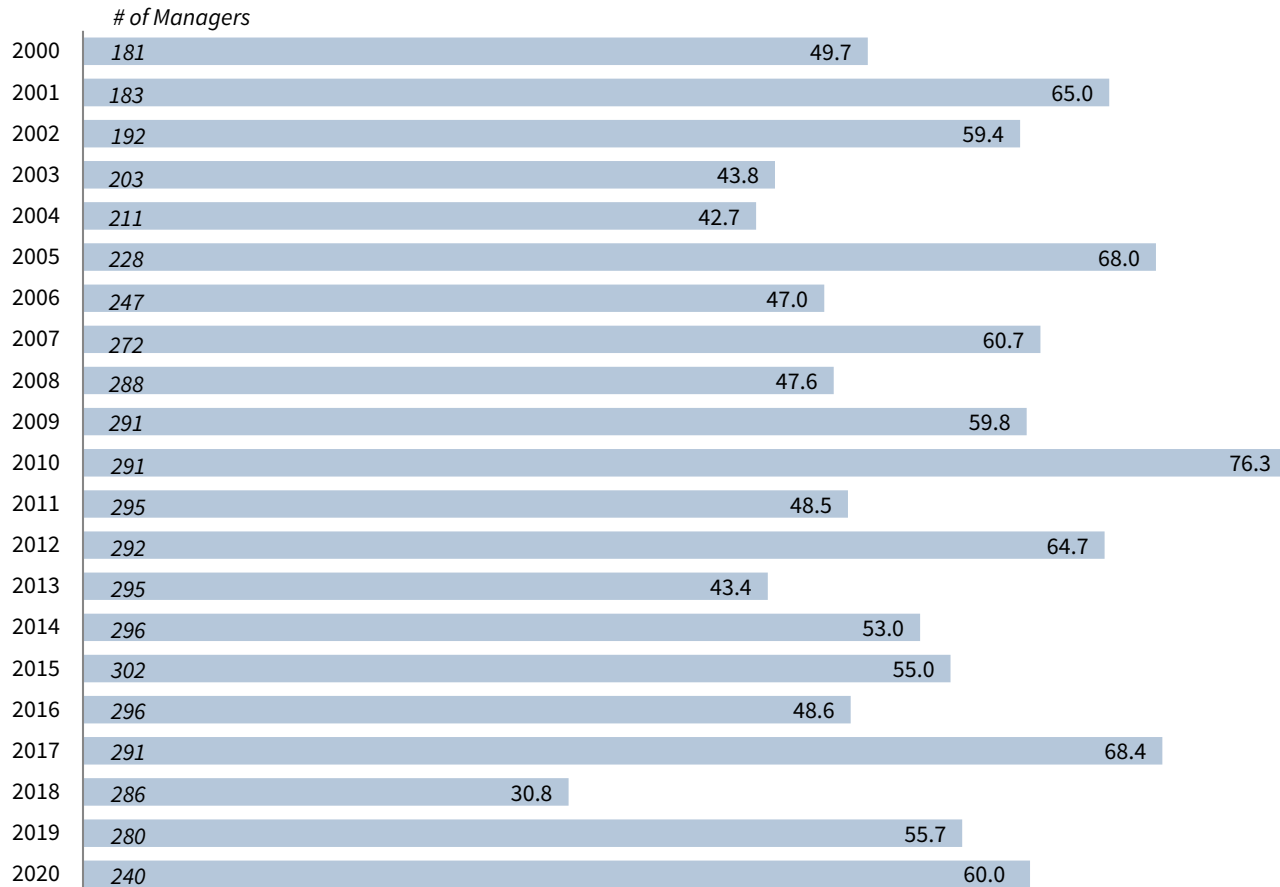
Calendar Year 2020 • n = 240



Of 240 managers, 26% bested the fee-adjusted index by more than 1,000 bps in 2020, representing significant value-add.

## Active global ex US manager outperformance is cyclical

**PERCENTAGE OF GLOBAL EX US EQUITY MANAGERS OUTPERFORMING THE FEE-ADJUSTED MSCI EAFE INDEX**  
2000–20 • Percent (%)

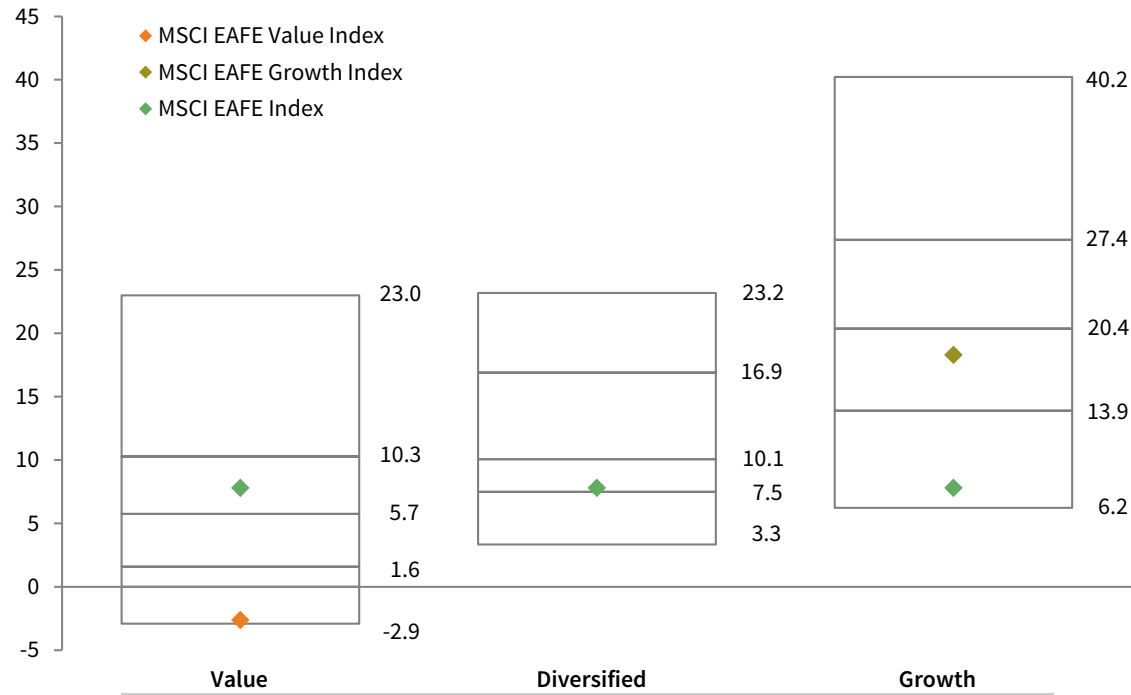


Since the GFC, the majority of managers have outperformed the index more often than not, posting better performance in eight of 12 years.

# The median growth manager fared better than other styles in 2020

## GLOBAL EX US EQUITY MANAGER UNIVERSE RETURN QUARTILES BY INVESTMENT PHILOSOPHY

Calendar Year 2020 • Percent (%)



Growth manager outperformance was a continuation of the trend seen over the previous two years. However, value managers, which outperformed the value benchmark, trailed the broad market index.

	Value	Diversified	Growth
High	33.8	26.3	65.1
Manager Median	5.7	10.1	20.4
Low	-4.9	-8.1	1.7
Index*	-2.6	7.8	18.3
# of Managers	88	43	57

\* Index represents: MSCI EAFE Value Index for Value; MSCI EAFE Index for Diversified; and MSCI EAFE Growth Index for Growth.  
 Sources: Cambridge Associates LLC, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.  
 Notes: Cambridge Associates LLC's (CA) manager universe statistics are derived from CA's proprietary Investment Manager Database. Managers that do not report in US dollars, exclude cash reserves from reported total returns, or have less than \$50 million in product assets are excluded. Performance is generally reported gross of investment management fees. Only managers with performance available for the entire period measured are included. Opportunistic managers are not included because there are too few with available data.

## Investment styles go in and out of favor over time

### THE CYCLICAL NATURE OF GLOBAL EX US EQUITY INVESTMENT PHILOSOPHIES

2000–20 • Percent (%)

#### Annual Total Returns

Year	Median Growth Mgr		Median Value Mgr		Global ex US Stocks (MSCI EAFE)
	Median	<i>n</i>	Median	<i>n</i>	
2000	-16.3	74	<b>-5.9</b>	53	-14.2
2001	-21.9	76	<b>-12.7</b>	50	-21.4
2002	-16.4	78	<b>-10.0</b>	56	-15.9
2003	34.6	76	<b>41.6</b>	66	38.6
2004	17.9	76	<b>22.7</b>	73	20.2
2005	<b>17.3</b>	79	14.4	81	13.5
2006	24.3	80	<b>28.3</b>	93	26.3
2007	<b>17.6</b>	83	9.9	97	11.2
2008	-45.0	92	<b>-41.6</b>	98	-43.4
2009	<b>35.8</b>	87	34.7	101	31.8
2010	<b>12.1</b>	84	10.6	101	7.8
2011	<b>-11.2</b>	84	-11.6	103	-12.1
2012	<b>19.7</b>	80	18.6	103	17.3
2013	20.3	80	<b>23.2</b>	106	22.8
2014	<b>-3.4</b>	79	-4.6	107	-4.9
2015	<b>1.3</b>	83	-0.8	105	-0.8
2016	-0.3	80	<b>3.4</b>	100	1.0
2017	<b>31.1</b>	76	26.2	99	25.0
2018	-14.2	73	-15.3	98	<b>-13.8</b>
2019	<b>28.8</b>	70	21.4	95	22.0
2020	<b>20.4</b>	57	5.7	88	7.8

#### Average Annual Compound Returns: Periods Ended December 31, 2020

Trailing 15-Yr	<b>7.2</b>	29	5.3	54	4.5
Trailing 10-Yr	<b>8.3</b>	40	6.1	71	5.5
Trailing 5-Yr	<b>11.6</b>	51	7.1	81	7.4
Trailing 3-Yr	<b>9.9</b>	56	2.6	87	4.3

Growth has edged value over short- and long-term lookback periods and outperformed in ten of 12 years dating back to the GFC. Styles can experience cyclical shifts; value outperformed growth in seven of nine years from the dot-com bubble to the GFC.



## Managers' different sector allocations can affect relative performance

### GLOBAL EX US EQUITY MANAGERS' MEDIAN SECTOR ALLOCATIONS VERSUS INDEX WEIGHT

Percent (%) • *n* = 219

	Manager Median vs Index (bps)		12/31/2019 Index Weight (%)	CY 2020 Index Returns	Net Allocation Effect (+/-)
	Underweight vs Index	Overweight vs Index			
Con Disc	-25		11.6	16.1	-
Con Stap	-211		11.3	6.2	+
Energy	-46		4.9	-26.9	+
Financials	-58		18.6	-3.4	+
Healthcare	-13		12.2	11.9	-
Industrials	-14		15.0	11.3	-
IT		389	7.1	28.7	+
Materials	-76		7.1	21.1	-
Real Estate	-206		3.5	-6.4	+
Comm Svcs *		64	5.2	13.1	+
Utilities	-148		3.7	14.8	-
			MSCI EAFE	8.3	

On a median basis, managers were overweight only two sectors in 2020, both of which outperformed the broader index, including a significant overweight to the top-performing IT sector. Managers held underweight positions in all four sectors that underperformed the broad index, including sizable underweights in consumer staples and real estate.

\* The Telecommunication Services sector was renamed and expanded to become the Communication Services GICS® sector on December 3, 2018.

Sources: Cambridge Associates LLC, Factset Research Systems, Frank Russell Company, and Thomson Reuters Datastream.

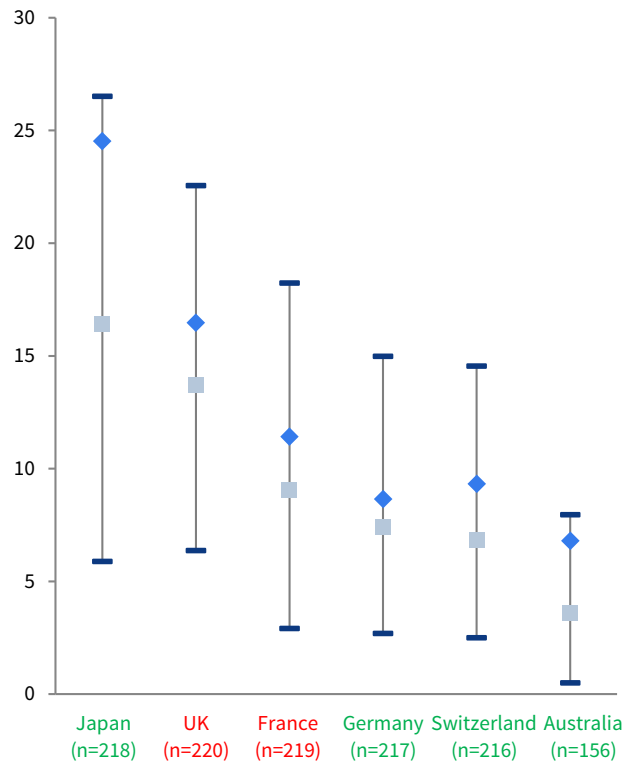
Notes: The chart includes data for the 219 managers that provided sector allocations as of year-end 2019. Index weights represent year-end 2019 GICS® sector allocations of the MSCI EAFE Index. Cambridge Associates LLC's (CA) manager universe statistics are derived from CA's proprietary Investment Manager Database. Managers that do not report in US dollars, exclude cash reserves from reported total returns, or have less than \$50 million in product assets are excluded. Performance is generally reported gross of investment management fees. Underweight and overweight positions do not sum to zero due to cash and out of index bet positions. For purposes of this exhibit, communication services is treated as a standalone sector for the full 2019 calendar-year return.

# Off-benchmark country bets can significantly affect relative performance

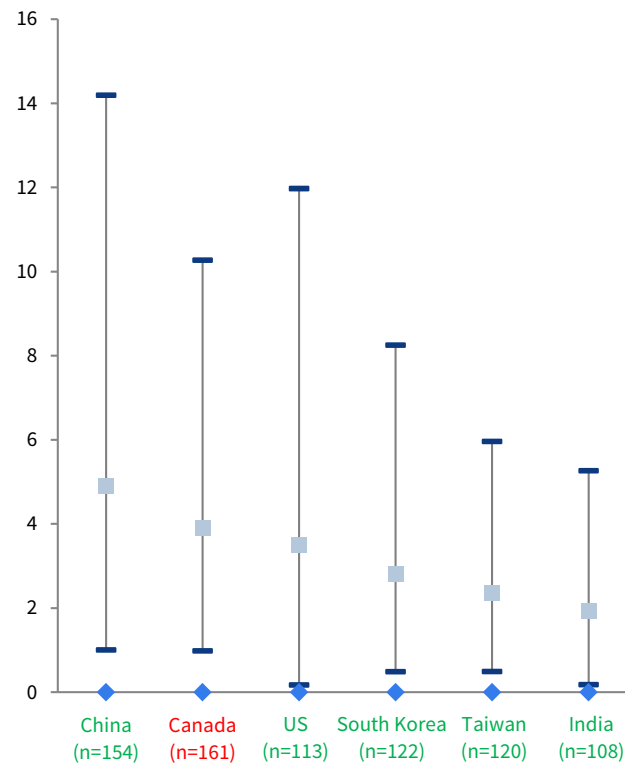
## GLOBAL EX US EQUITY MANAGERS' COUNTRY ALLOCATIONS VS THE MSCI EAFE INDEX

n = 220

### Non-Zero Manager Allocations to MSCI EAFE Countries with > 5% Weight



### Non-Zero Manager Allocations to Off-Benchmark Countries Where >40% Managers Have Allocations



— 95th Percentile    ◆ MSCI EAFE Index    ■ Median    — 5th Percentile

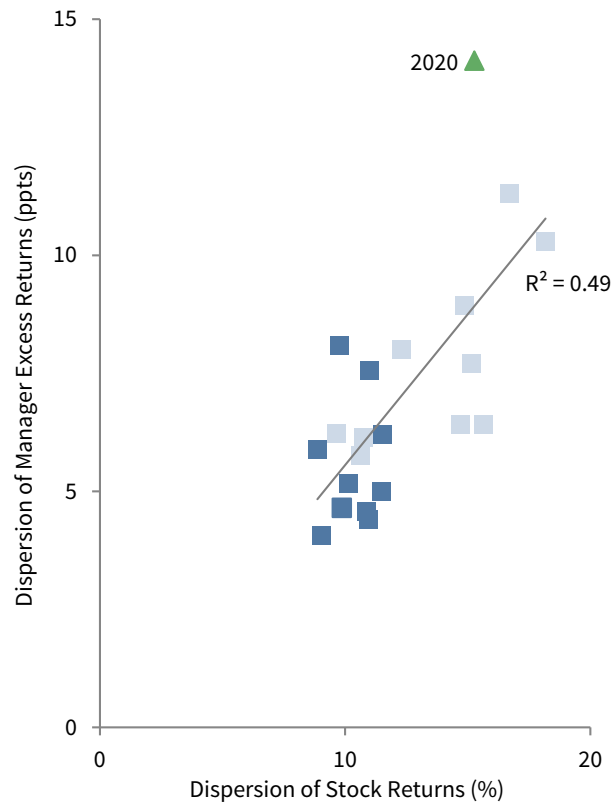
A plurality of managers had allocations to seven countries not in the MSCI EAFE Index; among these, the highest off-benchmark median allocation was to China, which bested the index in 2020.

# Dispersion of stock returns is correlated to dispersion of manager performance

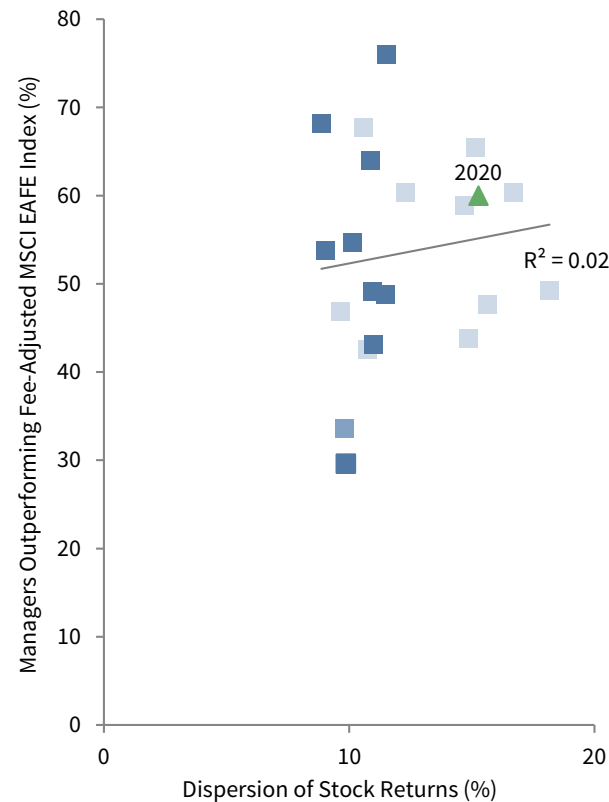
## STOCK DISPERSION DRIVES MANAGER DISPERSION BUT NOT MANAGER PERFORMANCE

2000-20

Dispersion of Stock Returns and Dispersion of Manager Performance



Dispersion of Stock Returns and Managers Outperforming



■ 2000-09 ■ 2010-19 ▲ 2020

Manager excess return dispersion is positively correlated with wider dispersion of stock returns, not the percentage of managers outperforming.

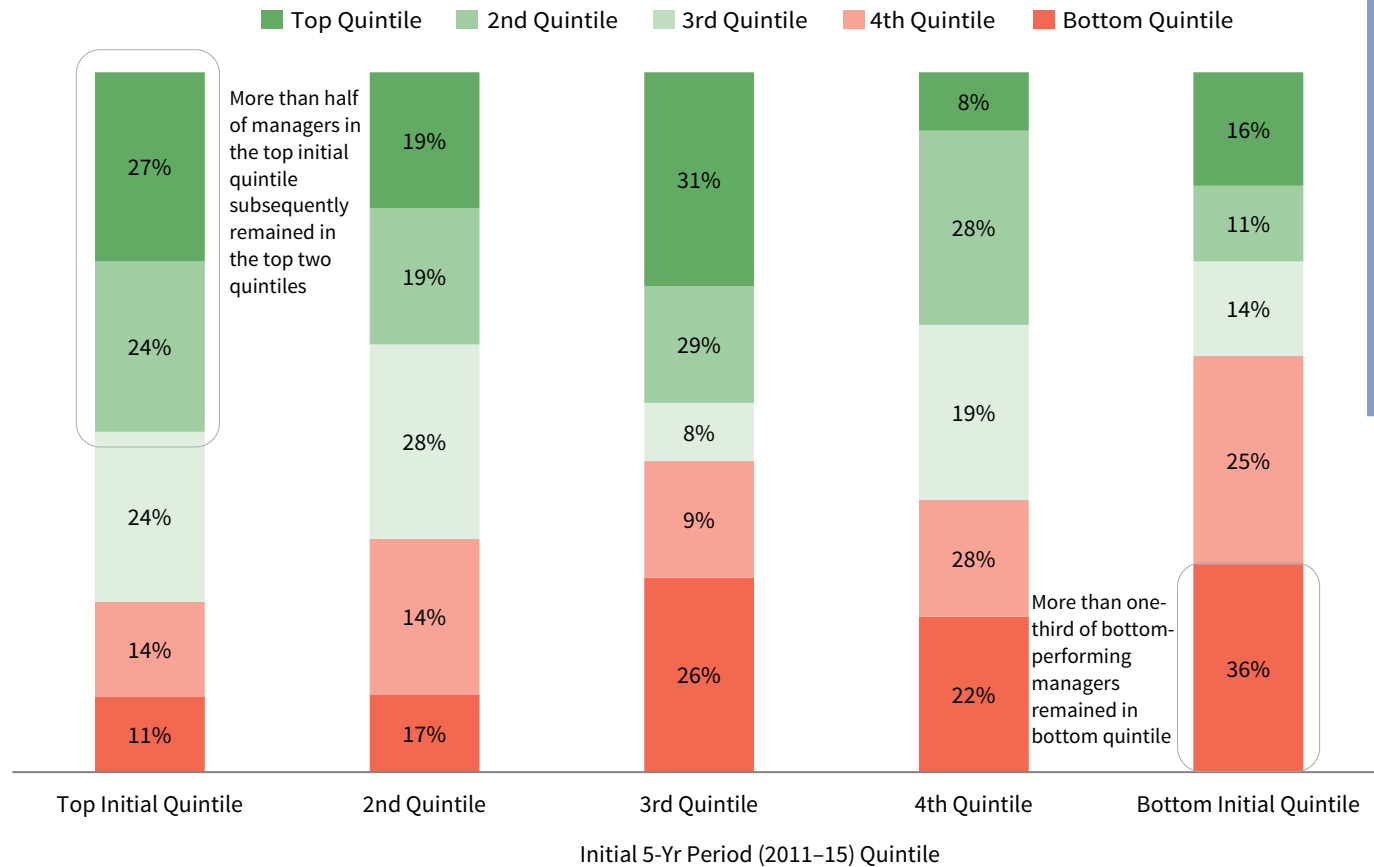
In 2020, stock return dispersion reached its highest level since 2009, and manager excess return dispersion reached a new high since data began in 2000.

# Managers typically move between top and bottom quintiles, but recently have shown consistency

## ANALYSIS OF GLOBAL EX US EQUITY MANAGER RETURNS BY QUINTILE OVER FIVE-YEAR PERIODS

2011–20 • n = 177

### Percent of Managers in Subsequent 5-Yr Period (2016–20) Quintile



Past performance is not a guarantee of future results—25% of top-performing managers in the initial five-year period fell to the bottom two quintiles in the subsequent five-year period. Similarly, 27% of bottom-performing managers in the initial five-year period were in the top two quintiles in the most recent five-year period.



**CAMBRIDGE  
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