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EP 130 | Emerging Markets: What happened in 2022, and where are we at?

Anum Siddiqui (00:00):

Hi everyone, I'm Anum Siddiqui, and on today's episode of the podcast, I sit down with Peter Lampert, the lead manager of our Emerging Markets Equity strategy. We start off the conversation by discussing the challenging market environment over 2022, covering the drivers behind both the market and strategy's performance. With travel resuming over the last year, Peter talks about the benefits and potential errors of caution that come with meeting companies in person and onsite.

We further discuss the areas of opportunity and risk that have been on the team's mind, along with the evolution of the research team itself and how it has benefitted the [Mawer] Emerging Markets Equity strategy.

Overall, we cover a range of different topics during our discussion, often coming back to the underlying businesses we hold within our portfolio. I hope you enjoy the conversation.

With that, here's my conversation with Chris.

Disclaimer (01:16):

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Anum Siddiqui (01:33):

How's it going, Peter? How are you?

Peter Lampert (01:33):

I'm great. It's good to be here. How are you doing today, Anum?

Anum Siddiqui (01:37):

I'm good, I'm good. I thought we could start off the conversation by just kind of taking a look back at the last year or so. We're recording this in early March, but just kind of thinking back—2022 was a difficult year for markets, it was particularly difficult for EM [emerging markets]. Can you talk a little bit about what happened both in the market and the strategy in particular?

Peter Lampert (02:00):

Yeah, like you said, it was a tough year. Equity markets were down quite significantly; emerging markets was down more than developed markets. Our strategy, the Mawer Emerging Markets [Equity] portfolio, was down even more than our benchmark or the [MSCI] Emerging Markets Index. So, it was a tough year and that's unusual for us. In down markets, we usually have good downside protection, but there were a few things going on—two key drivers of that negative performance last year.

The first one that impacted all markets was rising interest rates. In January 2022, investor expectations really shifted. As inflation was coming in higher, it was clear the Fed would be needing to raise interest rates and investors reflected that in stock prices. Using higher discount rates mathematically just results in lower stock prices, all else equal.

So, we saw that across stock markets, and it impacted our portfolio even more because we have more of the high-quality companies with good growth runways and those tend to be longer duration companies. More of the value is coming from cash flows further out in the future, and those are the ones that are most negatively impacted by the rise in interest rates.

The second key factor driving our underperformance last year was our exposure to Russia and Eastern Europe. So, coming into 2022, we had about 10% of the portfolio invested in Russian companies and another 15% in the rest of Eastern Europe. We invested in these companies because they are fantastic companies; they met our criteria of being wealth-creating companies with great management teams. Valuations were very attractive, but we did have increasing risk of the war as the invasion got closer and we were reducing our positions there in Russia. Unfortunately, we didn't reduce them fast enough or get out in time before the invasion occurred on February 24th last year. So we were stuck with some of our Russian positions, which we had to write down to zero.

We had about 3% or 4% of the portfolio on that day in Russia, and the rest of the portfolio—the other 15% that we had in Eastern Europe—those stocks also sold off quite a bit even though they weren't impacted by the war. Those businesses continue to do very well. We have great companies in Poland, in Kazakhstan, and in the Baltics. The businesses are doing very well, but with the uncertainty and heightened risk in the region, we saw those stock prices come down as well and those were the two key drivers of our underperformance in 2022.

Anum Siddiqui (04:28):

I did notice that since the beginning of the year, though, there's been quite a bit of a rebound—with emerging markets benefitting the most relative to other regional asset classes. Can you talk a little bit about that as well?

Peter Lampert (04:40):

Yes, we did see a nice rebound in January into February. It's sort of fizzled out a bit here, but emerging markets—after selling off quite a bit last year and to the point where we thought it was getting excessive—valuations are looking very attractive and that has corrected somewhat and rebounded a little bit and our portfolios benefitted from that as well here early in 2023.

Anum Siddiqui (05:02):

I guess we'll see what the rest of the year holds.

Listeners of our podcasts know that we go through a post-mortem process where the Research team shares their learnings over the last year and beyond. I'm curious to know what were some of your learnings for the past year, other teams in particular?

Peter Lampert (05:20):

That's something we do. We go through that exercise and reflect on the past year and take away any learnings: what went well, what didn't go well, what can we improve from that? We have a real continuous improvement mindset in our culture at Mawer. I picked three learnings to share with the rest of our Research team.

The first one was on the duration balance in the portfolio. Like I mentioned, that was a driver of underperformance—just having a longer duration profile in the portfolio. Theoretically, that should be fine. These great companies with great long-term outlooks, even in a rising interest rate environment, we think the value of the company is not really impacted. And this is the important caveat: if the companies have strong pricing power, which is a key thing we look for in our investments and our assessment is that the companies by and large across our portfolio do have that strong pricing power.

So, what you see mathematically—we build discounted cash flow models for all of the stocks in our portfolio—you see the discount rate rising, which all else equal would bring the valuation of the stock down, but that's offset by the future growth being higher. In a higher inflationary environment companies with pricing power can pass that through and they should get credit for that higher growth and higher cash flows down the road.

Those two factors should offset each other, but we didn't see it work out perfectly. What we saw is the impact of the rising discount rates got priced in first. The market priced that in, and now I think the market's going to wait and see, do these companies actually have pricing power in the coming years? Will those cash flows actually come through as expected? So there's a timing gap and a lag there. And when we reflected on that, we thought, yes, these are still great long-term investments, but we could have smoothed the volatility a bit more.

We were surprised by the amount of drawdown that we experienced due to the rising interest rates. So going forward, we do have a better balance in the portfolio now. And just thinking about that duration better, we've trimmed some of those longer duration names, added some shorter duration stocks to the portfolio just to help smooth that volatility. Even though we think a lot of those stocks that have sold off quite significantly are still great long-term investments and still in the portfolio. So that was the first one.

The second key learning was that we were slow to react. I mentioned we got stuck with some of our Russian holdings when the war broke out. We were trimming ahead of that, reducing our positions as the news flow was coming out that Russian troops were lining up on the border. We still didn't expect this worst-case outcome—an invasion on the scale that we've seen.

We still assigned a low probability to that, but the odds were increasing of a negative outcome, and in hindsight, we could have reacted faster to that. That's something we're doing now. We're very sensitive to these geopolitical risks. What we see in, for example, between China and the U.S. today, the tensions are escalating there. There is possibility of a war over Taiwan at some point in the future. We have no idea if or when that will happen, but as part of our risk management, we have been reducing some of our exposure there in China and Taiwan to not repeat the same mistake that we made.

The third learning that I shared with our team is a positive one. I'm really happy with how our team performed last year, how we worked together and the great culture that we have. So, for most of the time we've been working together—I've been at Mawer for 15 years—we haven't had too many down years where we've underperformed. So, it's easy in the good times to say, "Yes, we have a strong culture, we work together well. Everybody's happy and motivated," but you really get tested in the tough times and I'm happy to say that I think we passed that test with flying colours. All of the work that we've done and the investment we've made in our team—in the culture and being able to work together—making sure we have aligned interest, putting the team first, that all came through.

What can happen in a tough environment like we had last year [is] people start pointing fingers, people start blaming each other, and that culture and teamwork break down. But we didn't see that whatsoever. Everybody continued to work together, we stuck to our investment process, stuck to our long-term perspective, and continue to play the plan, which I expected to happen, but you don't really know until you go through the test. So I'm really pleased with how the whole team pulled through last year.

Anum Siddiqui (09:38):

Your point on how our team's culture was tested in this tough environment makes me think about our own companies and how their businesses have been challenged in 2022. So, I'm curious to know how have the management teams—given that it is part of our philosophy to invest in excellent management teams—how have they fared over 2022 and navigated this difficult period?

Peter Lampert (10:02):

By and large, we think we invest in great companies with great management teams and we're happy to see how they performed through 2022, but also since 2020. These companies have been in a very difficult period through COVID[-19], navigating shutdowns, re-openings, and now rising interest rates and inflation.

The good news is a lot of companies are used to dealing with these types of challenges in emerging markets. It's not often smooth sailing for them, so, a lot of the companies we've invested in are well-adapted to navigating these difficult periods. In some cases where we thought the management teams weren't performing up to our expectations, we did sell those stocks. And one example is Kakao, a Korean internet company—the leading social media or chat app in Korea. And part of our initial investment case was that they had a great business, they have billions of engaged users, and they're doing more to monetize that.

In the past, if you think of something like WhatsApp, it's not very well monetized but they have all these users. It's similar with Kakao in Korea, and they've been doing a lot more to cross-sell to sell other services. They've moved into ride-hailing, banking payments, and displaying advertisements and that's great. And that was part of the investment case, but we thought they seemed to reach a limit.

They monetized as much as they could, and a lot of their success seemed like they were benefitting from low interest rates and not having to generate good cash flows to fund the business. And they were relying on IPO-ing some of their subsidiaries to generate that cash flow which worked in an environment of low-interest rates when investors were enthusiastic and willing to pay high prices and fund this business, but when they have to just rely on their own cash flow, we didn't think management was doing enough to improve the monetization and to improve the cash flows.

So that's an example where they benefitted from a low-interest rate environment, and we don't think they're doing enough in a higher interest rate environment. And so for that reason we did exit the position in the portfolio.

Anum Siddiqui (12:07):

I guess higher interest rates can show true skill, but one thing I was curious to ask you about was the meetings that you've had with these management teams in the past have been in person… obviously with COVID[-19] and shut downs, meetings were shifted online. Over the last year or so, and I know the team has been able to get back out there and I'm just wondering if—and I'm sure the listeners are wondering as well—is there value in getting back out there? Or can the job be done from the comfort of our offices and homes?

Peter Lampert (12:38):

We were happily surprised with how seamlessly everyone seemed to move to video calls during the pandemic and we got great access to the management teams and were able to continue having those in-depth conversations that we love to have with the companies.

That said, we are also happy now that we're back out on the road. So, after a couple years of not travelling, it was great: last year I went to Brazil, Saudi Arabia, UAE. Wen, on the emerging markets team just got back from Taiwan, he's already planning his next trip. Josh is currently in Vietnam and recently went to the Philippines. Siying is planning a trip to India this year. So, we're getting out there, making up for lost time, and it is really nice.

There's pros and cons: it does take a lot more time and we did already have good management access through video calls, but it is nice to get out there in person, not just having the company meetings but having the other interactions around [that]—meeting other people in the organization, not just senior management, doing store visits.

One thing I enjoyed in Brazil was just meeting different people. I happened to meet a doctor who is an upper-class individual—he's the target market for one of our investments, XP [Inc.], which is an investment broker service in Brazil catering to higher income individuals. So I just had a chance to ask him does he use this? And he did, and asked him about his experience, why he chose that, and it corroborated our investment thesis that XP is gaining share from the incumbent banks because they offer better service and better products and despite being a relative newcomer, they're able to build their brand and gain the trust of people like the doctor I met.

Those types of things—unexpected interactions—[are] one of the benefits that you wouldn't get from just a video call. Wen had a great experience, he went to see Great Tree Pharmacy in Taiwan. This is a current holding in our portfolio. It's a great business. They operate drug stores, but in Taiwan the industry is not very mature. They operate mostly against independent mom and pops and they're really the ones driving the professionalization and consolidation of this industry. And it was great for Wen; he spent the whole day with the founder of this business, got to go visit stores of Great Tree, visit competitor stores, and really, just spend the day with him and understand how he thinks about the business.

And you see it's not just luck why they're the most successful and why they're the market leader. All of the thought that he's put into building this business and the way he manages people, recruits people, trains people, motivates his store managers was really impressive to see. And now because of their success, they're facing copycats.

There are a number of other drugstore chains trying to do what Great Tree has done. They're hiring people away from Great Tree, but you can't replicate that culture. They're not having the same success and the founder is basically happy to lose the people that want to go and the people that stay and buy into his vision, he rewards them well, gives them a lot of autonomy, treats branch managers like entrepreneurs, and really motivates them.

And you can read about that, you can talk to that, but for Wen going, seeing it, visiting the branches, talking to the branch managers really helps us, gives us a better understanding of the investment case.

Anum Siddiqui (15:59):

So those are a lot of positives it seems from getting back out there. Aside from time, are there any other disadvantages that you noticed from travelling abroad?

Peter Lampert (16:09):

It does take a lot of time, especially for those of us based in Calgary—anywhere you go in the world is probably a long flight. But one of the other disadvantages or something we have to manage, is just not getting too caught up.

So, the story I told about meeting someone and reinforcing our investment case on XP or reinforcing our investment case on Great Tree... just understanding that that's one incremental piece of information. Not getting too carried away or too excited about something. Keeping our emotions in check.

That came up especially when I went to the Middle East—I visited Saudi Arabia in Riyadh as well as in UAE, Abu Dhabi, and Dubai. The sentiment, the vibe there, was just very positive. Everyone was very excited because their economy was doing so well with the high oil prices that we saw last year. When the rest of the world is worrying about recession, their economy's growing gangbusters, their governments are spending billions of dollars on new projects, creating jobs, attracting immigrants, and the economy is just on fire right now.

That enthusiasm is infectious. It's hard to not get excited when you're there, but then you have to take a step back, go back to our investment process. "Hey, that's great that there's all this excitement and growth, but are there good wealth-creating companies?" Just going back to the basics. "Are they reasonably valued? Do they meet our criteria and are they good investments?"

So for that reason, as an example, we didn't end up adding any of the Saudi stocks to our portfolio even though we found some great businesses. There's just so much excitement and enthusiasm around them that the valuations are still too high for us.

[So,] just not getting swept up in that excitement. Or, by contrast, it could be very depressing when things aren't going well. But again, just bringing things back to the process, which is keeping emotions out of it. [That's] what we need to do.

Anum Siddiqui (17:55):

Earlier you mentioned that some of the names within the emerging market universe are more attractively valued. I'm wondering if there were any opportunities that the team was able to take advantage of over the year? And I know it's a question that we get a lot from our clients.

Peter Lampert (18:12):

Definitely—we're always keeping our eyes peeled for opportunities and that's what we do day in, day out. I think with the performance that we saw, the underperformance of our portfolio last year, some of the best opportunities that we're seeing are existing portfolio holdings.

So, when stocks are down 20, 30, sometimes 40% for what we think in many cases are fantastic businesses with great long-term outlooks, we're very happy to continue holding those positions and in some case, adding to them.

If you just look at our portfolio, some of our top names—TSMC, HDFC Bank, Kaspi—these are all companies we've talked about on this podcast before because they're great companies and they have great long-term outlooks and we just now get to invest in them at much more attractive prices even though we thought they were pretty attractive to begin with.

That said, we are always constantly looking to refresh the portfolio with new ideas. We have added a number of new stocks to the portfolio over the last year. A couple I can highlight are Salik and Vesta.

Salik is the epitome of the Mawer slogan, "Be Boring. Make Money.™" It's just a very simple business. They operate the toll road gates on the main highway in Dubai, so they don't even have to operate the road itself, pay to construct or maintain the road, but just the gates that collect the tolls, the electronic gates. They operate the gates and the software system and collect the payments from drivers.

That's a fantastic business. We bought it at about a 6% dividend yield. They pay out most of their cash flows dividend. And on top of that, they should grow—at least with inflation—because they increase the prices of the tolls and they can grow on top of that with more population growth.

Dubai is increasing its population. They're attracting people from all over the world. A lot of wealthy people from Ukraine or Russia, Hong Kong—wherever there's turmoil in the world, people find Dubai to be a safe haven. So, for all these reasons, there are a lot of drivers for Salik.

And then they have an additional upside as well from dynamic toll pricing. Currently they have flat fees, flat tolls. Anum, you're in Toronto, I'm sure you've driven on the 407 a few times reluctantly, but having those dynamic toll prices when traffic's heavier, being able to charge more—Salik would benefit from that, and that's something they're considering introducing.

So, lots of reasons why it's already a great business today and could get even better. Very limited downside: this is a stable, boring business. I had the opportunity to meet with management. Of course I was driving on the road when I was in Dubai and just a good boring business that meets our criteria.

Another example is Vesta, a company in Mexico that operates warehouses. Again, sounds pretty boring. They buy land, build warehouses, and rent them out. But it's a great business. They earn pretty high yields. They charge their rents in U.S. dollars. Most of their clients are U.S. companies or suppliers to U.S. companies that are manufacturing in Mexico, and they're seeing the benefit of more near-shoring. With the uncertainty in China with U.S. companies looking to move their supply chains, Vesta is a big beneficiary of that. They've already been well positioned for this; it's not like management has to suddenly react to this influx of demand.

They have a plan to increase their warehouse space by 50% over the next five years. They already have most of the land bank; they already own the land to build those warehouses. So now it's just a matter of delivering and executing on that, building those warehouses. They're seeing good rent, good pricing, good occupancy already given the stronger levels of demand and we think that they'll be able to fulfill their growth plan going forward.

So, that's an opportunity. It was already a good business and then given some of the turmoil in the world and Mexico's favourable position next door to the U.S., that's a great company that should benefit from this theme.

Anum Siddiqui (22:11):

So, on the other side of opportunities, there are of course risks that are top of mind for the team. China, which you mentioned earlier when you were discussing your learnings. It's always an area of interest whether you're talking about emerging markets or the market more broadly. How is the team thinking about the different conflicting factors that come with investing in China right now, whether it be short-term considerations or those over the long term?

Peter Lampert (22:36):

The situation in China is very complex and it's something that we have to navigate. It's a large part of the emerging markets universe. China and Taiwan together are almost 50% of the emerging markets universe. So, there's a lot of companies there; when we pick through them, we can find some really great companies and we have a number of these fantastic companies in our portfolio that happen to be based in China or Taiwan as well.

But we recognize that there are a number of risks and those risks have been increasing. So, the two main kind of broad risks that we're watching or paying attention to there is, firstly in China, the government has become just more involved in businesses. Previously there was more of a laissez-faire approach, especially for the internet companies. We've seen more regulation. The government wants to have more of a hand in how these businesses operate, and that could mean less ability to make profit from any of these companies as the government is trying to balance different interests in society.

That's one that's making the outlook more challenging for a number of companies. And the second risk that we're paying attention to is the increasing geopolitical tension. So, that's no secret. We see every-day-news headlines about the U.S. and China, and China's made it very clear that they continue to want to take control of Taiwan one way or another and the U.S. wants to push back against that.

We've seen U.S. restricting semiconductor equipment exports to China, and as a result of these tensions, we just have no idea how the situation could unfold. So, we recognize there's higher risks there. We have a number of tools to incorporate those risks. One is using higher discount rates in our models, so requiring higher return to get compensated for that risk of investing in China.

And the second one is just managing the portfolio weight. So like I said, nearly 50% of the emerging markets universe is in China and Taiwan. Our portfolio is significantly below that, closer to 40%. Still a big number, but we have been bringing it down. We do recognize there are risks there and just managing that bottom-up—investing in some fantastic companies that we think are great long-term investments like Tencent, Wuliangye [Yibin Co., Ltd.], NetEase, but as well just managing the overall portfolio exposure.

Anum Siddiqui (25:02):

So, earlier you were talking about pricing power and theory versus practice—curious to hear about any examples within the portfolio that were able to exercise pricing power over the year.

Peter Lampert (25:13):

Yeah, the best example is TSMC. It's a fantastic company. That's why it's the largest weight in our portfolio. And we were really happy to see last year that they started to exercise the pricing power. They just deliver so much value to their customers, being able to manufacture the most advanced, leading-edge chips (semiconductor chips), and being the only ones globally who can do that far ahead of Samsung or Intel who are the nearest competitors.

And as a result of this very strong competitive position, the value that they're providing to their customers—they're able to charge more for that.

So, in the electronics industry, they've typically seen price deflation where on a like-for-like basis for the same chip one year to the next, prices would go down and the only way to get higher revenue is to come up with more advanced chips. Now they're seeing—[and] actually, still coming up with more advanced chips—but also on a like-for-like basis passing through price increases. And they passed through up to 20% price increases last year.

They won't do it as high going forward, but they signaled that they plan to continue raising prices in the future as well. So, shifting from deflation to inflation in this industry and to reflect the strong competitive position they have, the investments that they need to make to continue serving their customers, and continue earning a good return on invested capital for shareholders.

So we're really happy to see that. It's just a testament. We've always believed they had a very strong value proposition and competitive position, which has only been getting stronger over the years, and this is a reflection of that.

I guess on the flip side, an example like Kakao where there's only so much they can monetize and we thought management was running out of room. There's only so many ads people can look at when they're scrolling through their phone. That puts a cap on what they can deliver.

Anum Siddiqui (27:04):

Peter, on different episodes of the podcast, some of our Research team members have spoken to ESG and how it ties into our decision making. Is there any distinction when it comes to thinking about ESG in emerging markets and do you have any examples to share of how ESG has impacted the portfolio at all?

Peter Lampert (27:23):

Yeah, ESG or Environmental, Social, and Governance factors is very important to us. We integrate it into every investment decision. So, we view companies that are doing good things for environment, good things for society, and have good governance as being part of being a good investment. Those companies should be rewarded in the marketplace, be rewarded by customers and ultimately generate rewards for shareholders.

The flip side is true as well: companies that are deemed to be doing bad things that are harming the environment, harming society, brings their business model into question, the sustainability of their business model. Will customers put up with that?

So, that's something we consider as both risks and opportunities in every investment. And sometimes it's not obvious.

One example of a company we added to the portfolio last year is Petro Rio, an oil producer in Brazil. Most people when they think about environmental factors and think of an oil producer, they would think that that's negative—creating pollution and carbon emissions. Which is true, but at the same time, the world continues to use oil and the economy's running on that and we need the economy to keep going to be able to fund the transition to renewables.

So, recognizing that oil's going to continue to be used, we want to see companies that produce it in a responsible way, and that's what Petro Rio does.

In fact, they've created tremendous value for both shareholders and the environment by just being better operators and more efficient operators of oil assets. Their whole business is, instead of doing the traditional exploration that small oil companies typically have done, they just acquire existing oil producing assets from other companies. So, they've acquired from the majors—from PetroBras, which is the largest producer, government-owned producer in Brazil—and they've just acquired different assets that are typically overlooked. These aren't the most important assets for the sellers and they're not maybe operated the most efficiently and Petro Rio just operates them very efficiently.

They're able to reduce costs and also reduce the carbon emissions associated with each barrel of oil that they produce. And just doing simple things like they've consolidated a number of assets in the same area, and then they're able to share the common joint infrastructure. So, whether it's the pipelines or the offshore FPSOS (Floating Production Storage and Offloading Ships), or just doing fewer helicopter runs. These offshore platforms need all the equipment, all the workers need to be flown out, maybe doing it once every two weeks instead of twice a week to replenish supplies and change workers.

And all of those things result in having a lower carbon footprint and also lower cost, which generates value for shareholders. So that's where we see a win-win for shareholders and the environment. And those are the types of ESG considerations that we look for in our investments.

Anum Siddiqui (30:15):

You mentioned earlier that there is a focus on continuous improvement. I'm curious to know if there's anything that the team has been up to [with] respect to improving the process, or how the team thinks in general?

Peter Lampert (30:27):

Process improvement is very important. That's something we're always thinking: "what can we do better?" We have a very good, a robust investment philosophy and investment process, but we never want to get complacent. So, every day we're thinking, "what can we do better?" And I think one thing that we've improved over the years is growing our team, but still maintaining a great level of teamwork.

I talked about earlier in this podcast how that team-first culture is so important at Mawer, and it really helps us make better investment decisions. So, as an example, as we've grown over the years; we have a lot more people. There are about 40 people in our Research team today. When I joined the firm about 15 years ago, it was about 10, maybe a dozen people. That time [was] very easy; [with] a small team, it's very easy to work together.

But what I'm really happy with is how well we work together even in the larger team. We've launched multiple strategies in that time, in addition to the [Mawer] Emerging Markets [Equity] strategy that I'm talking about, we've launched a new [EAFE] Large Cap strategy. We work closely with our Global Small Cap strategy, our International Equity strategy, and all of these smaller teams working together to benefit all of our clients across the strategies.

So, one example is, we were looking at the outsourced drug manufacturers. This is a very, very interesting market where it's very high growth, there's a lot of opportunities, but we weren't sure who the winners were going to be. But by looking at it from multiple perspectives, multiple angles, and being able to share that research, I think we got a much better, more comprehensive view of the landscape.

So, one of our analysts—Ian Turnbull, on our EAFE large-cap team—was looking at Lonza in Switzerland. They are by far the market leader here. [The] gold standard for outsourced manufacturing when pharma companies need to outsource the manufacturing of their drugs.

Josh, then, on the EM team was looking at the up-and-coming challengers or the new competitors coming out of Asia. There are a number in China and Korea as well as India that are gunning for Lonza, building up capacity, and really gaining the technical expertise to gain share there. So, he was looking at that and understanding where there might be investment opportunities in Asia in this industry.

As well as in our Global Small Cap portfolio—we have a stock called Hikma that Karan Phadke was researching, and they operate in sort of an adjacent niche here, manufacturing specific types of drugs. Some of the Asian challengers are going after that market as well.

So, by looking at this industry from three different perspectives, looking at it for different investment opportunities around the world for our different strategies, we are able to share notes, we're able to work together because we have one investment philosophy, one investment process, and one culture where we're all wanting to learn and help each other and share our best ideas and trying to win as a team.

It's not like people are working in silos or only focused on their own portfolios, but really having that culture where we all want to win together. And I'm really happy that we've been able to keep that and maintain that even as the firm has grown and scaled over the years.

Anum Siddiqui (33:35):

Great, well, I think that's a great place to end the conversation, Peter. It's been great chatting with you and thanks for taking the time.

Peter Lampert (33:43):

Okay, great! Thanks a lot, Anum. Thanks to all our listeners too.