

## Market Review

After rallying 2.29% over the first three months of 2021, EM equities climbed another 5.05% throughout the second quarter.

This performance marked the fifth straight quarter of gains for the asset class and came with a wave of inflows as well, as investors added USD 91.4 billion to EM equities to close the broad underweight positions in the space. The strong market performance came from several factors, including; 1) robust vaccine roll-outs across developed markets (DM) leading to a strong demand driven rally for global goods 2) strong commodity prices and rising inflation as oil climbed over 24%, 3) increasing local optimism as vaccination rates picked up across many EM countries including China, Brazil, and India, 4) the US Fed Open Market Committee (FOMC) maintaining a message of dovish monetary policy, while EM Central Banks took a more hawkish tone and 4) pressure on the US Dollar as prospects for US infrastructure spending increased, implying a larger deficit.

The MSCI Emerging Markets Asia Index returned 3.77% for the second quarter, underperforming the rest of EM. Relative to the region, India and Taiwan were the strongest performing markets, while Indonesia and Thailand were notable laggards.

In China, regulatory uncertainty negatively affected overall investor sentiment, specifically on consumer and internet companies. However, economic data was better than market expectation. Retail sales grew 12.1% year-over-year in June, showing consumptions resilience despite rising COVID-19 cases in Guangdong province. In June, industrial production also surprised on the upside up 8.3% year-over-year, thanks to stronger-than-expected exports supported by

European demand. The People's Bank of China announced that it would cut the reserve requirement ratio (RRR) by 50 basis points (bps) for almost all banks to counter raw material prices pressure.

India experienced a tremendous surge in COVID-19 cases at the start of the quarter; however, new cases peaked in early May. Investors seemed to look beyond the second wave and focus remained on the medium-term vaccination outlook, inline earnings season, and the lifting of activity constraints. In late June, the Finance Minister of India unveiled a set of relief measures, primarily focused on broadening the credit guarantees to help alleviate economic stress induced by the second COVID-19 wave and promote healthcare infrastructure in tier 2 cities.

Taiwan's equity market hit an all-time high in June, surpassing the pre-COVID level as new cases continued to decline after peaking in May. A doubling of the government's COVID-19 stimulus, progress on vaccine procurement, a delay of water rationing measures, and the potential strengthening of trade ties with the US supported Taiwanese markets during the quarter.

In South Korea, the overall equity market was steady during the quarter, mainly attributable to the strong performance of Communication Services, Energy and Consumer Discretionary sectors. Industrial production fell for the third month in May, suggesting a slowdown in manufacturing GDP growth in the second quarter.

The ASEAN region was hit particularly hard during the quarter by rising COVID-19 cases due to the delta variant and tighter social distancing restrictions which renewed risks to growth. Inflation pressures in Indonesia remained subdued as headline inflation fell in June attributed to lower food and transportation costs. For Vietnam, real GDP grew 6.6% year-over-year in the second quarter, led by more robust industrial and construction activities.

Latin America and EEMEA (Eastern Europe, Middle East & Africa) delivered strong returns for the quarter. Latin America recovered from its first-quarter correction and rallied 15.11% over the three-month period. The EEMEA region continued its strong start to 2021 and added another 6.41% of positive performance in the second quarter. Year to date, both regions are up 9.05% and 14.17%, respectively. Brazil, Czech Republic, and Hungary performed the best across the region, while Chile and Peru lagged their peers. Brazil rallied with rising oil and iron ore prices, along with rate hikes from the central bank and steps towards tax reform from the government. All led to a stronger Brazilian Real (BRL) and improved investor sentiment for the country. The Czech Republic and Hungary rallied off of improving vaccination rates across Europe and prospects for distributions from the EU Recovery Fund. Chile and Peru fell, as both countries faced political developments that could lead to unorthodox reforms to their constitutions and economies. At the same time, both countries felt the June correction in copper prices.

## Fund Review

Mirae Asset's Emerging Markets Great Consumer Fund (MICGX) outperformed its benchmark by 123 basis points (bps) in the three-month period ending June 30, 2021. The Fund gained 6.28%, while the MSCI Emerging Markets Index returned 5.05%.

### Key Contributors to Performance

- Stock selection within Communication Services and Consumer Discretionary contributed the most to the Fund's relative performance.

- With regards to geography, the largest contributions came from stock selection in South Korea and in Russia.

- On the stock level, the top contributors to the Fund's relative performance during the quarter were Li Ning in China and Kakao Corp in South Korea. Li Ning, a Chinese athletic apparel company, benefitted from the continued COVID-19 reopening and the "Guochao" trend boosting local brands and patriotism in China. Kakao, like many Korean online companies, has benefitted from the demand for online services as consumers' new habits are becoming a new normal amid the resurgence of COVID-19 cases. In addition, the company stands to benefit from the forthcoming IPO of its digital bank and market consolidation. The Fund also benefitted from an underweight position in Alibaba Group Holdings which was down -1.7% in the second quarter.

### Key Detractors from Performance

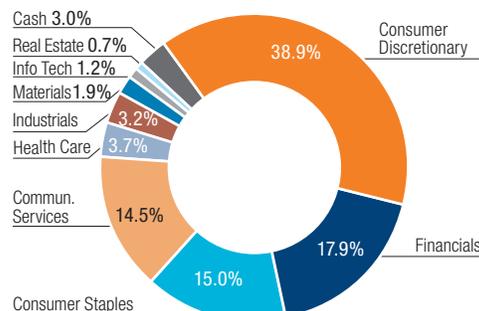
- On a sector basis, the largest detractors from relative performance were our stock selection in industrials and consumer staples.

- Relating to geography, the Fund's overweight in Hong Kong and underweight in Taiwan were the largest detractors. Though Taiwan has benefitted from the Developed Market rebound and increasing demand for technology hardware, we continue to prefer less cyclical asset-light business models in online and services.

- On the stock level, the biggest detractors were New Oriental Education and Ping An Insurance. New Oriental suffered from increasing concerns around new regulation on Chinese tutoring companies. Education is a core theme within our Fund and regulation has historically been a positive for larger companies in terms of taking market share, but we are monitoring the situation closely.

## Sector Holdings

(AS OF JUNE 30, 2021\*)



\*These will change and should not be considered recommendations. May not add to 100% due to rounding.

## Performance

(AS OF JUNE 30, 2021)

	EMERGING MARKETS GREAT CONSUMER CLASS I (%)	MSCI EMERGING MARKETS NR INDEX (%)
2Q2021	6.28	5.05
1 Year	35.64	40.90
3 Year (annualized)	15.38	11.27
5 Year (annualized)	16.43	13.03
10 Year (annualized)	7.34	4.28
Since Inception <sup>†</sup> (annualized)	8.33	4.95

<sup>†</sup>9/24/10

Net total return indices reinvest dividends after the deduction of withholding taxes.

## Top Ten Holdings

COMPANY	WEIGHTING (%)
Li Ning Company Limited	5.8
Kakao Corp.	5.6
China Tourism Group Duty Free Corporation Limited Class A	4.3
Tencent Holdings Ltd.	4.1
HDFC Bank Limited	3.5
NAVER Corp.	3.5
Galaxy Entertainment Group Limited	3.1
LG Household & Health Care Ltd	3.0
China Merchants Bank Co., Ltd. Class H	2.9
Hyundai Motor Company	2.9
<b>Total</b>	<b>38.6</b>

The portfolio holdings and allocations will change and the information provided should not be considered as a recommendation to purchase or sell a particular security. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased.

*The Fund's investment manager, Mirae Asset Global Investments (USA) LLC ("Mirae Asset USA"), has contractually agreed to forego its management fee and, if necessary, to reimburse the Fund so that total operating expenses (excluding interest expense, taxes, brokerage commissions and certain other Fund expenses) of the Fund do not exceed 1.15% (for Class I Shares) of average daily net assets through August 31, 2021. Total annual fund operating expenses for Class I shares: 1.33%. Each share class may have to repay Mirae Asset USA some of these amounts foregone or reimbursed within three years if total operating expenses fall below the expense cap described above. Past performance does not guarantee future results. The performance data quoted represent past performance and current returns may be lower or higher. Share prices and investment returns fluctuate and an investor's shares may be worth more or less than original cost upon redemption. For periods less than one year, performance is cumulative. For performance data current to the most recent month-end please call 1-888-335-3417.*

## Notable Trades

### Financials

**Alpha Services & Holdings (ALPHA)—Greece:** We added ALPHA, a leading Greek Bank, as multiple tailwinds grew apparent and the company was trading at an attractive valuation. First we saw the bank successfully delivering on a securitization process to reduce non-performing loans from its balance sheet. Second, we saw the bank structurally benefitting from the EU Recovery fund, which will deploy over EUR 30bln into Greece's economy. Third, we saw Greece well positioned to benefit from a significant rebound in tourism, representing roughly 20% of Greek gross domestic product, throughout Summer 2021.

**Credicorp Ltd.—Peru:** We exited Credicorp, the leading bank in Peru, after preliminary presidential elections showed

a growing chance of left leaning Pedro Castillo taking the executive branch. Castillo ran on various pillars including nationalization of private companies and re-writing the country's constitution. Castillo ended up victorious and BAP has fallen since then. We continue to monitor the stock's risk/reward profile in the event that another entry point may emerge.

### Consumer Discretionary

**BYD Company Limited—China:** The growth momentum in China's new energy vehicle (NEV) industry continues to be strong, with continued upward revisions to the market consensus of FY21 sales volume. On the other hand, BYD's share price corrected in May amid the overall weak sentiment on the Auto sector due to steel price inflation and tighter auto

semiconductor chip supply. We took advantage of this share price correction as a buying opportunity for one of China's leading electric vehicle companies.

### Information Technology

**Samsung Electronics Co., Ltd—South Korea:** We have gradually reduced our position in Samsung Electronics through the first half of 2021 and fully exited the position during the quarter. We have replaced the holding with more direct beneficiaries of Asia consumption growth, of which valuations became more attractive following the sharp correction in recent months.

## Outlook

**Although the global spread of the COVID-19 Delta variant is still concerning, higher vaccinations and booster shots are expected to reduce the hospitalizations in the coming months. We remain encouraged by the structural tailwinds behind EM for the remainder of the year.**

Despite the recent performance and a supportive environment, EM equities remain significantly under-owned by global equity investors. This underweight positioning combined with discounted valuations, higher growth rates, and higher dividends than DM provides an interesting catch-up opportunity.

On a regional basis, we continue to favor a domestic secular-driven growth story in China and companies that have benefited from India's structural reforms. In China, a key issue for most investors has been heightened regulatory oversight in the technology space. We believe this is a positive development from a medium

to long-term perspective, focusing on consumer interests, inclusive growth, and healthy competition. We expect to see some value emerging from good quality companies in the internet sector in the coming quarters. Regarding the rising domestic brand trend, we expect to see more local brands preferred by Chinese consumers across different consumer categories going forward.

In India, the COVID-19 situation has stabilized and states have started to ease restrictions. Inflation remains a headwind, but leading companies have already taken price hikes to pass on the cost pressure. Our approach towards India

has always been a long-term perspective, and we continue to hold leading companies in consumer banks, consumer staples, decorative painting, and the health care industry.

We are positive on the online industry in South Korea as the very fragmented industry starts to consolidate and industry leaders gain market share with innovative services tailored to local consumers.

We see Latin America and EEMEA as under-owned regions, which creates a significant moment for stock-pickers assessing overlooked and inefficient markets. We continue to favor opportunities in Brazil, Mexico, and Russia. We also see opportunities for a dramatic turnaround in Greece.

Mirae Asset's Emerging Markets Great Consumer Fund focuses on identifying companies with high-quality management teams and business models that are best placed to benefit from secular growth in domestic spending across emerging markets. Our investment strategy utilizes a fundamental, bottom-up

approach to invest in companies that may benefit from such enduring trends and which have shown to possess sustainable competitive advantages, including strong management, product differentiation, a dominant competitive position, pricing power, and balance sheet strength.

## Portfolio Managers

JOOHEE AN  
W. MALCOLM DORSON  
SOL AHN, CFA

Mirae Asset Global Investments (USA) LLC  
625 Madison Avenue, 3rd Floor  
New York, NY 10022  
(888) 335-3417

[investments.miraeasset.us](https://investments.miraeasset.us)

All index returns are sourced from MSCI and are net total returns unless otherwise noted. Index returns are shown in USD terms.

**Association of Southeast Asia Nations (ASEAN)** is the organization of countries in Southeast Asia set up to promote cultural, economic and political development in the region.

**MSCI Emerging Markets Index** captures large and mid cap representation across 24 Emerging Market countries.

### Important information:

**An investor should consider an investment in the Funds as a long-term investment.**

**The Funds' returns will fluctuate over long and short periods.** The Funds cannot guarantee that they will achieve their investment objective. As with all investments, there are certain risks of investing in the Funds, and you could lose money on an investment in the Funds. Certain risks related to an investment in the Funds are summarized below:

**Equity securities (stocks)** are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes

**Emerging market investing** may be subject to additional legal, economic, political, liquidity, and currency risks not associated with more developed countries

**Geographic concentration risk:** A small number of companies and industries may represent a large portion of the market in a particular country or region, and these companies and

industries can be sensitive to adverse social, political, economic or regulatory developments in that country or region

Top 10 holdings % of the Fund, as of date 03/31/2021: Tencent Holdings Ltd. (4.80%), China Tourism Group Duty Free (4.44%), Li Ning Company Limited (3.65%), NAVER Corp. (3.47%), Ping An Insurance (Group) (3.43%), Kakao Corp. (3.41%), HDFC Bank Limited (3.38%), Hindustan Unilever Limited (3.16%), Galaxy Entertainment Group (3.16%), China Merchants Bank Co., Ltd. (2.89%). Holdings are subject to change at any time. The portfolio holdings are subject to change at any time.

**An investor should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information about the investment company can be found in the Fund's prospectus and summary prospectus. To obtain a prospectus or summary prospectus, please contact your financial advisor or please call 1-888-335-3417. Please read the prospectus carefully before investing.**

*Mirae Asset Discovery Funds are distributed by Funds Distributor, LLC.  
Copyright © 2021 by Mirae Asset Global Investments (USA) LLC.  
All rights reserved.*