Sands Capital Management, LLC — Why We Own

Sands Capital Management is pleased to present its Emerging Markets Growth "best ideas" portfolio of the companies within the Fund that are considered dominant businesses in their respective industries and are believed to have above average potential for growth over the long term.

Note: Information in this report is current as of September 30, 2022. The views expressed represent the opinions of Sands Capital Management and are not intended as a forecast, a guarantee of future results, investment recommendations or an offer to buy or sell any security. There is no assurance that the securities discussed will remain in the portfolio or that securities sold have not been repurchased. You should not assume that any investment is or will be profitable.

Touchstone Sands Capital Emerging Markets Growth Fund	
TSMGX	(A Shares)
TEGCX	(C Shares)
TSEMX	(Y Shares)
TSEGX	(INST Shares)
TSRMX	(R6 Shares)

CONSUMER STAPLES

AIA Group Ltd. is the largest pan-Asia life insurance business, with operations across nearly 20 markets. Demand across Asia for high-quality insurance products is rising, driven by multiple secular trends, including a large and growing middle class, aging populations, and favorable regulations and fiscal policies incentivizing consumers to purchase life insurance products. We believe these compounding factors create an operational "sweet spot" for life insurers. We believe AIA has a distinct advantage as a premier brand with a long and solid operating track record. The company maintains a unique competitive advantage in being able to maintain 100% equity stakes in most local subsidiaries, even in markets with foreign ownership restrictions (e.g., China, one of the most lucrative markets in Asia). We believe this advantage has allowed for a consistent business strategy across all regions, which includes prudent product underwriting, an experienced and highly educated workforce, a disciplined focus on traditional insurance products with meaningful protection, a conservative approach in managing its investment book, and a strong capital and liquidity position.

INFORMATION TECHNOLOGY

Alibaba Group Holding Ltd. operates the world's largest ecommerce marketplace, based on gross merchandise volume (GMV). Alibaba accounts for approximately 65% of all ecommerce sales in China. Several characteristics make China an attractive ecommerce market, in our view, including its large and growing user base, rising middle-class incomes, and an underdeveloped traditional retail infrastructure. This provides an attractive backdrop, in our view, for higher ecommerce penetration relative to other large markets. Longer term, we see upside potential from several additional opportunities, including cloud computing. Alibaba's cloud business is China's clear leader, with twice the estimated market share of the next-closest competitor, and enterprise digital transformation remains early.

CONSUMER DISCRETIONARY

Anta Sports Products Ltd. is a leading Chinese sportswear company, with nearly twice the market share of its next closest domestic competitor. We believe China is the world's most attractive sportswear market, as growing incomes are leading consumers toward more active lifestyles. Originally focused on mass-market goods, Anta's "single-focus, multi-brand and omnichannel" strategy enables the company to reach a broad spectrum of consumers across various retail channels. Anta continues to differentiate itself, in our view, through brand development, product design, and its direct-to-consumer (DTC) efforts. DTC is a key priority for management, which expects the channel to account for more than 90% of sales by 2025. We believe this initiative could result in meaningful revenue and earnings growth potential.

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HEALTH CARE

Apollo Hospitals Enterprise Ltd. operates one of the largest hospital networks in Asia, as well as the largest Indian pharmacy chain by store count. Apollo has amassed significant competitive advantages, in our view, as its first-mover status has provided time to develop a well-known brand, scale and complex clinical-care capabilities. We believe these advantages position Apollo to capitalize on increasing healthcare demand in India, driven by a number of long-term secular trends. These trends include a growing middle class, a greater prevalence of chronic diseases (e.g. cancer and diabetes), an aging population and an overwhelmed public hospital system. We have strong conviction in the company's management team and believe that beyond Apollo's core hospital business, its efforts to develop additional auxiliary services (e.g. primary care clinics, outpatient surgery centers and retail pharmacies) add material long-term optionality for additional value creation. We believe the expansion of Apollo's total bed count and continued advancement of its tertiary-care services should drive above-average earnings growth over the next five years and beyond.

MATERIALS

Asian Paints Ltd. is India's leading paint company with over 50% market share. The paint industry is one of the fastest growing segments of the Indian economy, with growth averaging nearly two times gross domestic product (GDP). We believe secular trends – including rising middle-class incomes and increasing home purchases and renovations – will bolster demand for decorative and industrial paint over the long term. We view the company's well-known brand and retail positioning, wide distribution network, and large manufacturing scale as significant competitive advantages. At approximately 67,000 dealers today, we believe Asian Paints could add up to 2,500 dealers annually over the next decade, especially as the company continues its expansion into Asia, the Caribbean and the Middle East. Product innovation is another source of growth. The Colour Idea Store, which offers a boutique shopping experience, is one example of how Asian Paints continues to expand its addressable market.

FINANCIALS

Bajaj Finance is India's largest financer of consumer durable purchases, with over 60% market share. Bajaj is best known for offering zero-percent-interest financing for household electronic and digital products. In return for assuming the credit risk on behalf of manufacturers and dealers, Bajaj receives a payment often amounting to five to 12% of the purchase price. The company was an early adopter of big data analytics and cloud technology, enabling it to vet potential borrowers and issue lending decisions within minutes at the point of sale. Consumer financing is Bajaj's main customer-acquisition channel, through which it cross-sells other products, such as personal loans and, mortgages, investments, and insurance. Beyond consumer financing, Bajaj's business includes loans to small and medium-sized enterprises and other commercial entities. The company is actively expanding into new areas, including lifestyle financing (health, education, travel/leisure, etc.), and housing financing. Additionally, Bajaj is engaging in fintech transformation with its launch of "Bajaj Pay," which will help create an ominchannel business model, servicing online and offline demand.

FINANCIALS

Bandhan Bank Ltd. is India's leading microfinance lender, based on market share. Bandhan accounts for 20% of India's microfinance lending, an addressable market of approximately 250 million micro-enterprises that we estimate is less than 35% penetrated. Key competitive advantages supporting its leadership position include its strong brand and loyal customer base, distribution network, and operating scale and efficiency. In addition to Bandhan's market leadership in a highly profitable and fast-growing lending segment with low credit costs, Bandhan also has a universal banking license from the Reserve Bank of India, which provides the company with a funding cost advantage relative to peers. This is an attractive position for a lender, in our view, as structural profitability is a function of credit costs, funding strength and loan yields. Additionally, Bandhan's business providing affordable housing loans offers exposure to an additional lending vertical with potentially attractive structural growth drivers. We believe Housing Development Finance's 10% stake in Bandhan further validates our views on its long-term growth potential.

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FINANCIALS

Bank Central Asia Tbk PT is a leading provider of traditional and digital banking services in Indonesia. Indonesia is an attractive market for traditional financial services, in our view, given low levels of financial penetration, a large and increasingly urbanized population, and relatively high bank profitability. Within this market, Bank Central Asia is the market-share leader for payment transactions, unsubsidized mortgage lending, and credit card issuance. Over the past few years, Bank Central Asia has expanded its focus, and our research indicates that it is now the default saving bank for the country's largest ecommerce and digital finance platforms, which are required to deposit excess funds held in digital wallets at traditional banks. We estimate that BCA processes more than 60% of all digital transactions in Indonesia. Looking ahead, Bank Central Asia aspires to launch its own digital bank and financial super app, combining its robust banking infrastructure with a next-generation user experience. We believe that the business is well positioned to benefit from digitalization trends in Indonesia, which we believe should underpin years of above-average earnings growth.

CONSUMER STAPLES

Britannia Industries Ltd. is the largest biscuit manufacturer in India, with an estimated 35% market share. In India, biscuits are similar to cookies or crackers in the U.S. The company is increasingly focused on product innovation, distribution footprint expansion, and margin improvement through efficiency gains and waste reduction. All of these initiatives should lead to continued share gains and increased profitability. Britannia also benefits from the Indian secular trends of rising consumer incomes, urbanization and industry consolidation around organized packaged goods. Unorganized (or unbranded) biscuits still account for a large share of the market, and we believe changes in consumer preferences and regulation (e.g. the Goods and Services Tax) will disproportionately benefit Britannia. Over the long term, management seeks to transform Britannia into a total-foods company, where its non-biscuits business becomes as large and as profitable as the core biscuits segment.

CONSUMER STAPLES

CP All PCL is the exclusive, perpetual franchisee of the 7-Eleven brand in Thailand. It is the country's dominant convenient store operator, with nearly 10 times as many stores as its next-closest competitor. Convenience stores are an attractive business space, in our view, given their ecommerce defensibility, economic cycle resilience, and scale advantages. They're particularly attractive in Thailand, given favorable demographics and a formalizing market. Historically CP All's growth was driven by new store openings, but looking ahead, we believe growth will be primarily driven by optimization of its massive existing footprint (e.g. data-driven store differentiation, omnichannel capabilities, and white-label products). The business still expects to open approximately 700 stores annually, many of which will feature bakeries and cafes to seek to drive continued share gains from traditional grocery retail. New market expansion – including Cambodia and Laos – could also extend the business's growth duration.

FINANCIALS

DLocal is a Uruguayan online payment provider enabling international merchants to connect with emerging market ecommerce consumers. Through a single interface, DLocal facilitates transactions using over 700 local payment methods in over 35 countries. Local payment acceptance results in a wider addressable market for merchants and a better user experience for their end customers. DLocal also serves as the merchant of record (MOR), reducing merchants' operational frictions stemming from local regulations and tax compliance. Its availability as an MOR is most useful to merchants operating in several countries, so it is a key competitive advantage over global payments providers that lack that capability. DLocal's usage-based revenue model effectively runs a toll-taking business directly levered to the secular trend of ecommerce adoption in emerging markets. We expect growth in merchant adoption and ecommerce volumes to be the primary growth drivers over the next five years, with expansion to new geographies reflecting upside potential to our estimates.

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CONSUMER DISCRETIONARY

Foshan Haitian Flavoring & Food Co. Ltd. is the world's largest soy sauce manufacturer by volume. Haitian traces its roots to the 18th century, and today produces over 300 different condiments, including soy and oyster sauce, for which it is the global market leader. The soy sauce industry remains fragmented in China, but globally features high market concentration, defensibility, and best-in-class economics. Haitian's sauce benefits, we believe, from its proprietary culturing agents, geography, and natural fermentation process. We believe Haitian's approximate 20% volume share in China will reach close to 30% over our investment horizon as it consolidates the market, which remains roughly 70% informal. Importantly, 30% of the market doesn't even comply with new stringent regulations regarding the technical definition of what constitutes true "soy sauce." As the only Chinese condiment manufacturer with national scale and automated operations, we believe Haitian's leadership will expand as it benefits from consolidation and premiumization.

INFORMATION TECHNOLOGY

Globant is a leading digital business services provider to global corporations. The Argentinian company helps blue-chip multinationals modernize by designing, building, and maintaining digital consumer-facing tools, such as mobile banking apps and theme park systems. The IT services industry is structurally shifting from back-end support towards more value-additive and revenue-generating functions. In an increasingly digitized global economy, these functions are essential for maintaining competitive position and driving growth. We believe digital service providers will continue to take share of global IT spending from legacy providers, with Globant positioned as a key beneficiary. Globant's enterprise tools uniquely combine technical expertise with design creativity, in our view. We believe these differentiated tools – in addition to Globant's seasoned management team and strategic M&A – have contributed to the company's leadership position in a fast growing, oligopolistic market. As a global leader, we believe Globant benefits from meaningful scale gains that allow it to invest in new technology more rapidly than smaller competitors, which creates a virtuous cycle of acquiring better talent and developing even better technology.

CONSUMER DISCRETIONARY

Haidilao International Holding is China's largest full-service Chinese restaurant chain, by market share. Haidilao serves hot pot – a popular Chinese soup-based cuisine – to over 300 million patrons in over 1,200 stores globally. China's food-service industry remains highly fragmented, with less than 1% of full-service restaurants owned by chains, largely due to supply chain and labor management complexities. Holding "aligned interest and disciplined management" as the corporate operating paradigm, we believe that Haidilao's commitment to elevating customer experience by improving food quality, customer service, and staff engagement allows the franchise to accelerate share gains and continue rapid expansion while sustaining industry-leading unit economics. The business boasts some of the highest key performance indicators globally among its restaurant peers, due to its customer satisfaction levels, supply chain and technology capabilities, and scalable concept. Hot pot doesn't require chefs or large kitchens, which enables easier standardization and higher unit economics than other cuisines. Longer term, expansion into craft beer, fast-food concepts, and new geographies could extend Haidilao's growth duration.

HEALTH CARE

Hangzhou Tigermed Consulting, China's leading clinical contract research organization (CRO), is a key access provider to China's growing novel drug market. The business provides outsourced clinical services and technology to help foreign and domestic drugmakers access China's innovative drug market, which is undergoing significant deregulation and modernization. This transformation is largely driven by government reforms to improve public health and to foster a domestic life sciences industry. Clinical CROs play a key role in this ecosystem by enhancing efficiencies, mitigating risks, and optimizing clinical and regulatory processes for drugmakers. As the market-share leader within China's clinical CRO industry, Tigermed has a long history of serving global pharmaceutical companies, which we believe has resulted in several competitive advantages, including capabilities, experience, reputation, and scale. We believe that Tigermed is well positioned to consolidate share within China's clinical CRO market, and potentially expand globally, capitalizing on demand for outsourcing in China as well as by Chinese companies looking to grow abroad.

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FINANCIALS

HDFC Bank Ltd. is India's largest private-sector bank, with a customer base of approximately 40 million. Spanning every Indian geography, HDFC Bank's retail footprint of nearly 5,000 branches has contributed to its leading position in every major retail lending segment, including auto loans, credit cards and personal loans. Corporate lending accounts for approximately half of HDFC Bank's loan book, and most loans are made to high-quality blue chip and middle-market companies. Outside of lending activities, the bank is a major distributor and provider of other financial products and services, such as insurance, asset management, and corporate finance. Growth is further supported by what we believe is a secular shift underway in India; while state-owned banks have historically dominated the corporate-lending market, they are becoming increasingly burdened by impaired assets. We believe private-sector banks will double their loan market share at the expense of public-sector banks over the next decade, and believe that HDFC Bank is positioned well to benefit from this shift.

FINANCIALS

ICICI Prudential Life Insurance Co. Ltd. is a leading Indian life insurance business. IPRU – a joint-venture between ICICI Bank and Prudential – provides exposure to the secular growth drivers underpinning the Indian financial sector, but, in our view, without the balance-sheet risks inherent in leveraged financials businesses.* We believe the Indian life insurance market offers attractive long-term growth potential as it addresses the long-term savings, income replacement, and liability protection needs of India's growing middle class. Life insurance products account for one-quarter of financial savings in India, which we believe will increase with rising per-capita incomes and greater awareness. Against this secular backdrop, we believe IPRU will be a key beneficiary, given its strong brand, distribution reach via partnership with ICICI, experienced management team, and prudent risk management. Over our investment horizon, we believe IPRU's broader product range, stronger customer service, and more innovative distribution models will enable share gains from state-owned and smaller private insurers. Longer term, we believe a shift to higher-margin protection and savings products will sustain above-average growth.

**ICICI Bank and Prudential are not Touchstone Sands Capital Emerging Markets Growth Fund holdings.*

CONSUMER DISCRETIONARY

JD Health International Inc. is China's largest online healthcare platform by revenue, offering digital retail pharmacy as well as online and offline healthcare services. The digitization of China's large and growing healthcare industry is in its infancy, creating significant opportunity for internet leaders over the next decade or more, in our view. Policy liberalization and support is helping accelerate this shift, and we believe digitization of China's healthcare market could go from under 5% today to nearly 25% by 2030. Within this attractive growth market, JD Health is leveraging its market-leading scale and the strong logistics capabilities of its parent company, JD Group, to build a comprehensive platform of healthcare and pharmaceutical products and services.* Our research indicates that JD Health offers a compelling value proposition to patients, drug and product suppliers, and health services providers. Considering its scale advantages and first-mover status, we have high conviction that JD Health will execute on its mission of creating a closed-loop internet-healthcare ecosystem, driving user traffic growth, cross-selling, and monetization across its platform.

**JD Group is not a Touchstone Sands Capital Emerging Markets Growth Fund holding.*

CONSUMER DISCRETIONARY

Jubilant Foodworks Ltd. is the Domino's Pizza master franchisee in India, and also holds the exclusive rights for developing and operating Dunkin' Donuts outlets. Led by Domino's, Jubilant is the chained quick-service-restaurant (QSR) market share leader in India (measured by revenue) and should benefit as QSRs continue to gain traction. The company has differentiated itself through transition to digitalization and online delivery, innovative marketing, and a focus on rapid growth. Jubilant has successfully entered new food categories and geographies, expanding its overall total addressable market. We believe Jubilant can further extend its leadership by leveraging its scale, brand, market leadership and execution ability. We expect Jubilant to grow through same-store sales growth, expansion of its current store base, and entry into new markets.

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INFORMATION TECHNOLOGY

Kakao Pay Corp. is a leading Korean digital payment services provider. The business is part of parent company Kakao's "super app" ecosystem*. With over 45 million monthly users, Kakao is used by nearly every Korean with a smartphone. Korea is a highly digital economy, as measured by penetration of cashless transactions, ecommerce, and smartphones; and regulators are reforming the industry to encourage further digital financial services innovation and adoption. Against this supportive backdrop, we expect Kakao Pay to be a key beneficiary, given its parent company's large and engaged user base. KaKao Pay's digital wallet enables cashless transfers between KaKao users and funds purchased across KaKao's various mini-apps. More recently, the business has expanded beyond the Kakao platform, facilitating transactions across a wide array of online merchants. Following a similar playbook to its Chinese digital payment peers, Kakao Pay is also in the early stages of cross-selling additional financial services to its user base by partnering with financial institutions to distribute credit, insurance, and investment products.

**Kakao is not a Touchstone Sands Capital Emerging Markets Growth Fund holding.*

COMMUNICATION SERVICES

Kanzhun Ltd. operates Boss Zhipin, China's largest professional recruiting service as measured by the number of monthly active users. We believe that Boss Zhipin is well positioned to consolidate China's nascent and fragmented recruiting industry. The industry is expected to grow 20% annually through 2025, driven by the rise of private-sector businesses and a growing supply-demand imbalance due to slowing workforce growth. Importantly, online recruiting only accounts for one-third of the market today, with the bulk of blue-collar recruiting still occurring offline. We expect Boss Zhipin to be the primary beneficiary of this consolidation and shift online, as the service should benefit from powerful network effects as more job seekers and employers use the platform. This should result in more data, better recommendations, and higher conversion. Our work suggests that Boss Zhipin's features make it a stronger recruiting tool for businesses of all sizes – for both white- and blue-collar workers – and at a lower cost than legacy recruiting channels. Longer term, we believe that expansion into other human resource digital services could provide additional growth opportunities.

FINANCIALS

Kaspi.KZ JSC is Kazakhstan's leading digital financial services business, operating the country's largest consumer-finance business, ecommerce platform, and payments provider. Similar to other large emerging market internet businesses, Kaspi's "super app" integrates all of its products and services into a single convenient and readily available interface. The app is used by approximately 40% of the Kazakh population, and its ecosystem of interrelated services drives engagement and encourages cross-selling, resulting in a virtuous cycle. The business has rapidly grown into a leadership position in each of its core segments, in a country that remains early in its digital adoption of key services. Looking ahead, we believe Kaspi should deliver strong growth as it continues to drive further digital consumption in Kazakhstan and cross-sells its expanding product suite to its market-leading user base. The business also has regional expansion ambitions, and we believe its potential addressable market includes all of Central Asia and the Caucasus, which would more than double its current opportunity set.

INFORMATION TECHNOLOGY

Lam Research Corp. is a leading global provider of semiconductor fabrication equipment. Our research indicates that Lam's equipment has an 80% share of the early stage semiconductor manufacturing process, where transistor structures are etched onto silicon wafers. The equipment largely services memory chips, with a secondary focus on logic chips. We expect continued above-average demand growth for the entire semiconductor industry and memory and logic chips in particular as the world becomes more connected and as compute complexity increases. Semiconductor manufacturing capital intensity continues to increase, given higher complexity on a fixed physical space, resulting in higher unit costs for finished silicon wafers. Importantly, we believe Lam is an enabler of future computing power growth. Past drivers of computing progress such as frequency and power have reached their limit. Going forward, new improvements, such as 3D structures, parallel computing, and task-specific accelerators will drive growth, and we believe Lam is a key enabler of these technologies.

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CONSUMER DISCRETIONARY

Localiza Rent a Car SA is the leading car rental company in Brazil. Larger than its next two competitors combined in terms of fleet size, Localiza has 30% share of the rent-a-car market, and nine million customers across more than 350 cities. The company's main segments include short-term corporate and individual rentals, long-term corporate rentals and a used car dealership. Localiza's leadership position and competitive advantages are derived, in our view, from its strong brand recognition, distribution and scale. The business is also the largest single buyer of new cars in Brazil, which enables favorable manufacturer discounts. This lower cost basis enables Localiza to be the industry price setter, further entrenching its leadership. Our research indicates that the business is well positioned to benefit from a number of secular trends transforming Brazil's rental-car industry, which include 1) cultural shift toward renting versus owning cars, 2) ride-sharing (Brazil is the second-largest global market for Uber in terms of revenue and ride count) and 3) industry consolidation, as seen in developed markets.*

**Uber is not a Touchstone Sands Capital Emerging Markets Growth Fund holding.*

INFORMATION TECHNOLOGY

MercadoLibre Inc. operates the largest ecommerce and payments platforms in Latin America, based on market share. Ecommerce penetration in Latin America significantly lags other regions, and we believe MercadoLibre will be the primary beneficiary of this secular growth opportunity. The business has built a large lead in the region's five largest countries, and we believe that its proprietary logistics network will further bolster its competitive advantage. Logistics has been the main impediment to ecommerce adoption in Latin America, with unreliable carrier networks and high delivery costs. MercadoLibre has made significant investment since 2017 in its proprietary logistics network to deliver goods more cheaply and more quickly, which has improved the value proposition for both buyers and sellers. Beyond ecommerce, we believe MercadoLibre will leverage its data and user base to enable value-added digital financial services, similar to the leading Chinese internet platforms. In addition to a payment service that facilitates digital transactions, MercadoLibre now offers asset management, credit, insurance, and offline payment processing. We anticipate meaningful adoption of these opportunities over our investment horizon.

COMMUNICATION SERVICES

NAVER Corp. is South Korea's leading search portal and online platform. With more than 70% traffic and search revenue share, the site features search, news, entertainment, and restaurant reviews. Over time, the company has leveraged its leadership position in search of becoming an ecommerce aggregator. Through its ecommerce platform (NAVER Shopping) and online payment service (NAVER Pay), consumers experience a single marketplace where they can browse products, compare prices and reviews, and complete their transactions—all without leaving the site. We believe NAVER differentiates itself in a fragmented market with its ability to combine ecommerce with advertising and payments. We believe the company will continue to benefit disproportionately from the ongoing digitalization of commerce in Korea.

CONSUMER DISCRETIONARY

NIO Inc. is a leading producer of premium smart electric vehicles (EVs) in China. We view the shift from internal combustion engines to EVs as one of the most important secular trends of the next decade. China will be one of the fastest adopters, in our view, given government-incentivized production and infrastructure that have enabled a head start relative to other countries. We anticipate luxury cars to be the fastest-growing EV segment in China, which we believe will disproportionately benefit NIO. The business differentiates itself from its competition through its exclusive focus on luxury EV production, its reputation for quality and customer service, and unique services including on-demand battery swapping, AI-powered in-car assistants, and online/offline NIO communities. We believe that NIO can deliver structurally higher margins than traditional manufacturers, given the lack of legacy costs, and the expectation that margins will inflect as the business scales. We believe NIO will sell 1 million units annually by 2030, up from 44,000 in 2020.

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FINANCIALS

NU Holdings Ltd. operates Nubank, a digital financial services platform that serves over 45 million customers in Latin America. Nubank began as an online credit-card issuer in Brazil, and now offers a full suite of financial services in Brazil, Mexico, and Colombia. The Latin American financial services industry is ripe for disruption, in our view, given a highly unbanked population and low customer satisfaction scores for incumbent banks. The key to Nubank's success, in our view, is its combination of lower costs than traditional banks, high brand trust, and proprietary credit underwriting capabilities. Collectively, we believe this combination enables a superior user experience, which drives retention and low-cost customer acquisition. Our research also indicates that Nubank is consistently regarded as one of the most-desirable companies in Latin America for top tech talent. Over our investment horizon, we expect Nubank's growth to be driven by expanding its relationships within its existing customer base, entering new channels (e.g., small and medium enterprises), ramping in new geographies (e.g., Mexico and Colombia), and introducing nonfinancial services (e.g., ecommerce).

INFORMATION TECHNOLOGY

PagSeguro Digital Ltd. is the leading Brazilian electronic-payments processor for small businesses. The company enables individual entrepreneurs and small businesses to accept electronic payments, often for the first time. It provides the entire merchant-facing side of the payments value chain, including the physical card reader hardware, transaction processing, fund settlement and fraud screening. PagSeguro is the market-share leader within the small business segment as measured by both users and total payment volume. Electronic payment acceptance remains low within the small business segment and the secular trend from cash to electronic payment should drive steady volume growth within this merchant base for decades. We believe PagSeguro's high brand awareness, self-serve ecommerce distribution and unmatched scale should further entrench its leadership position in what we view as a "winner take most" market. Longer term, we see considerable opportunities for PagSeguro to deepen its consumer and merchant relationships through its affiliated PagBank financial service offering.

CONSUMER STAPLES

Raia Drogasil SA is one of the largest pharmacy chains in Brazil. We believe the business will benefit from a number of secular trends, including increased pharmaceutical spending by Brazil's aging population and industry consolidation, which we believe favors organized retailers. Over our investment horizon, we believe Raia will grow its store base by 10% annually, leading to greater market share. We also believe that increased same-store sales will be driven by initiatives such as omni-channel capabilities, loyalty programs and store refurbishment. Additionally, higher sales of higher-margin generic drugs and private-label goods could lead to longer-term margin expansion. Raia's strong balance sheet and free cash flow generation remain another key differentiator, in our view. They relatively isolate the business during economic downturns, and also enable opportunistic investment, resulting in share gains from weaker competitors.

ENERGY

Reliance Industries Ltd. is a leading enabler of digitalization in India. Reliance derives most of its earnings from its legacy energy businesses, with the balance from its retail and telecom operations. We anticipate these proportions will invert over the next decade, with Reliance building on investments to expand mobile telephony and internet access across India. Reliance's Jio is India's telecom market leader with over 40% of mobile subscribers and 60% of 4G data users. Over our investment horizon, we anticipate Jio's mobile and broadband subscriber base to grow from about 400 million to about 550 million, from both share gains and new internet user adoption. Reliance will seek to monetize this massive and growing user base through several verticals, including B2B and B2C ecommerce, revenue-sharing agreements with content/service providers, advertising across owned digital properties, and payment processing, all in addition to monetization of its own over-the-top applications that bypass traditional distribution to deliver services via the internet.

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INFORMATION TECHNOLOGY

Sea Ltd. an internet business in Southeast Asia that operates leading platforms for video games, ecommerce, and digital financial services. Sea's core geographic market benefits from several secular trends – including above-average economic growth, young demographics, and low digital adoption levels – that we believe will underpin strong growth for its core businesses. The Garena gaming franchise is the region's top game publisher in terms of revenue and users and is also a leading esports promoter. We believe profits generated from Garena will support Sea's future growth engines of ecommerce (Shopee) and digital financial services (SeaMoney). Shopee is the leading ecommerce platform in Southeast Asia and Taiwan by market share, and is one of the most-downloaded shopping apps globally. We believe continued penetration of retail sales in Southeast Asia, expansion into new geographies such as Latin America, and higher monetization will be key growth drivers. Shopee's integration with SeaMoney – which provides services such as payment processing, installment loans, and seller loans – can further monetize Sea's massive and growing user base.

INFORMATION TECHNOLOGY

Taiwan Semiconductor Manufacturing Co. Ltd. is the world's largest outsourced semiconductor foundry for logic chips, based on production capacity. Its customers include vertically integrated original equipment manufacturers, as well as fabless semiconductor companies that outsource their chip production. TSMC is the only large-scale, customer-dedicated foundry capable of producing leading-edge chips, which are the most advanced chips available in terms of the computing power. We believe TSMC is well positioned within the leading-edge market and poised to take share over the long term due to its high-quality manufacturing process, ongoing investments in innovation, collaborative relationship with a wide ecosystem of partners, and position as the sole foundry at scale that does not compete with its customers by manufacturing its own designs. Furthermore, we believe that TSMC's growth duration is supported by its exposure to what we view as some of the most important technology trends, including the internet of things, 5G, artificial intelligence and autonomous vehicles.

INFORMATION TECHNOLOGY

Tata Consultancy Services Ltd. is a key enabler of enterprise digital transformation. The business is the oldest and largest India-based information technology (IT) services provider, with nearly twice the market share of its next-closest competitor. Over the next decade, we anticipate strong demand for IT services will be underpinned by enterprise digitalization trends, increased use of outsourcing, and industry consolidation. Many of these trends, especially the revival of the offshore technical support model, have been accelerated by the pandemic. Within what we view as an attractive space, our research indicates that TCS is the gold standard in terms of brand, capabilities, and track record among Indian IT services providers. Beyond its technical capabilities, the business also features an industry-leading margin profile, enabling investment to bolster its competitive position and capital returns to shareholders. We view TCS as a high-quality "compounder" business that should be a primary beneficiary and driver of digital transformation globally.

INFORMATION TECHNOLOGY

Tencent Holdings Ltd. is a leading Chinese internet platform business. It engages over a billion monthly users across each of its Weixin/WeChat, and QC social-networking apps, and maintains leading businesses across a number of areas, including entertainment, cloud computing and payments. We estimate that approximately 40 to 50% of total mobile internet time in China is spent using Tencent apps. Tencent's legacy growth driver was gaming, and going forward, we believe its largest profit contributors will be WeChat Moments advertising, short video, and cloud computing. Additionally, our research indicates that Tencent is well positioned to navigate China's complex and increasingly dynamic regulatory environment.

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CONSUMER DISCRETIONARY

Titan Company Ltd. is India's largest specialty-jewelry retailer, by store count and market share. The company sells jewelry, watches and eyewear at branded stores catering to both high-end and mass market consumers. India's jewelry market is massive – with the country accounting for roughly one-quarter of global gold demand – and remains highly fragmented. We believe organized players should increasingly take share from informal operators, given shifting consumer preferences and growing regulatory pressures. Titan should be a beneficiary, in our view, given its nationwide footprint of over 1,900 stores and its highly visible brand. In addition to Tanishq, India's leading jewelry brand, Titan also owns Sonata, India's top-selling watch brand. Weddings provide an additional growth opportunity for Titan, given the importance of traditional gold jewelry gifting, and the country's young and increasingly wealthy population.

HEALTH CARE

Wuxi Biologics Inc. is China's largest contract service provider for protein-based biologic drugs, based on market share. Wuxi, a contract development and manufacturing organization (CDMO), offers end-to-end outsourced solutions to global biopharmaceutical clients across the drug value chain, including discovery, development and manufacturing. Biologic drugs represent the fastest-growing segment of R&D spending among global pharmaceuticals, and have high barriers to entry and switching costs. As the complexity for biologics R&D and manufacturing grows, biopharmaceutical companies are increasingly turning to CDMOs to promote efficiency and manage risk. Wuxi is also uniquely advantaged, in our view, as a partner of choice for multinational corporations seeking to enter the Chinese market, and for domestic companies seeking access to global markets. The company is in the midst of expanding its global operations, and looking ahead, we believe there will be sustained growth as Wuxi continues to add new projects, advance its pipeline, and deepens its existing client relationships with new service offerings.

FINANCIALS

XP Inc. is Brazil's largest independent investment platform by assets under custody (AUC). XP's core business provides asset/wealth management solutions to retail investors through both self-directed and advisor-guided models. The company is the first mover leading the structural transformation of Brazil's retail investing landscape. The asset management industry benefits from the rising middle class and the shift from deposits to investment products. Meanwhile, traditional banks – which control over 90% of AUC – are losing market share due to customer dissatisfaction with service, product selection, and fees. We believe XP will be the primary beneficiary of this shift, given its low pricing, open-architecture platform, and user experience. Asset management is a profit center for banks, so they've been slow to respond to industry pressures. XP has the most clients and distribution partners among independent brokers, which we believe should result in network effects that further strengthen its competitive advantage: distribution partners benefit from a greater addresssable market as XP's client base grows, while clients gain value from a broader range of products.

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