



Rethinking Benchmarking and Alpha in Emerging Markets

01.

Differentiated exposures require intentional evaluation frameworks

By focusing on under-researched, smaller emerging and frontier markets, the Fiera OAKS Emerging Markets Select Strategy has historically delivered low correlation to traditional EM indices and meaningful diversification benefits within institutional portfolios.

02.

Benchmark alignment clarifies true alpha

A custom benchmark aligned to the Strategy's investable universe can provide a more accurate measure of active returns – helping distinguish true stock selection skill from structural index biases.

03.

Consistent, risk-adjusted outperformance supports active value

Since inception, the Strategy has delivered compelling net-of-fee returns and higher risk-adjusted performance than MSCI EM, demonstrating that active fees have been matched by persistent excess returns.



Benchmark Alignment

A More Accurate Lens on the Opportunity Set

The MSCI EM+FM ex Select Countries Index is a custom benchmark designed to better reflect the opportunity set targeted by the Strategy.

It is derived from the standard MSCI Emerging Markets and Frontier Markets universe but excludes a predefined group of the largest and most widely owned emerging markets, including China, India, Taiwan, Korea, Brazil and South Africa. As a result, the index primarily provides exposure to smaller emerging and frontier markets, where market structures, competitive dynamics and levels of investor penetration differ meaningfully from the core EM complex.

Importantly, aside from this country-level refinement, this custom index follows MSCI's standard methodology, including free-float market capitalization weighting, liquidity screening and regular rebalancing, ensuring consistency, transparency and investability. However, while calculated using MSCI's rules-based framework, the index is best understood as a representation of the Strategy's investable universe rather than a passive portfolio to be replicated. Traditional market-cap benchmarks are designed to reflect where

capital is already concentrated, which in emerging markets can result in significant exposure to a narrow group of large economies and mega-cap companies, potentially obscuring the distinction between market beta and true alpha.

By contrast, this custom benchmark is intentionally structured to capture markets that are less researched, less institutionally owned and structurally under-represented in global portfolios, as well as those at earlier stages of their economic and capital market development cycle. In that sense, aligning the benchmark with the Strategy's opportunity set is not simply a technical adjustment, but a prerequisite for more meaningful performance evaluation. It provides a clearer framework for assessing whether excess returns are being generated through deliberate investment decisions, such as security selection and portfolio construction, rather than through structural differences relative to a conventional EM comparator.

These same market characteristics also reduce the effectiveness of passive replication. The underlying markets often exhibit lower liquidity, wider dispersion of returns, and greater variability in governance and transparency, making active research and selectivity particularly important. Consequently, the index should be viewed primarily as a reference universe that helps frame the investable landscape and clarify sources of active risk.

In this context, the Strategy's active approach, grounded in fundamental research, disciplined company selection and local engagement, is critical to identifying and accessing the most attractive opportunities within this broader and less efficient universe. This is reflected in the portfolio's differentiated country and sector exposures, and in its role as a complement to traditional emerging market allocations for investors seeking broader diversification and a clearer view of true active value.

Source: Fiera Capital, as of 31 March 2026.



Distinct Exposures in an Underrepresented Opportunity Set

The Strategy’s focus on smaller emerging and frontier markets introduces exposures that are typically underrepresented in standard benchmarks and many peer portfolios.

With 88.3% active share, the portfolio meaningfully diverges from MSCI EM in both sector and country composition. It emphasizes companies in markets such as Saudi Arabia, Vietnam, and Greece, and maintains a significant allocation to financials and domestically oriented sectors.

For allocators, this has two implications:

1. Diversification potential within the equity portfolio, given the relatively low correlation (0.66) to MSCI EM
2. Exposure to less crowded segments of the market, where informational inefficiencies may be more pronounced

These characteristics may be particularly relevant for investors seeking to complement passive EM exposures or reduce concentration risk in large-cap growth-oriented markets.

Evaluating Whether Active Fees Are Justified

Since inception (February 2021), the Fiera OAKS EM Select Strategy has generated returns in excess of its primary comparator. Importantly, this outperformance has been delivered alongside lower realized volatility across all reported periods, which may be relevant for allocators managing portfolio-level risk budgets or capital preservation objectives.

Active Returns in Practice

Period Performance	Type	Inception	5 Year	4 Year	3 Year	2 Year	1 Year	3 Months	1 Month
Fiera OAKS EM Select Strategy	Gross	16.2%	14.8%	11.7%	18.4%	9.6%	22.6%	-1.0%	-11.7%
	Net	15.2%	13.9%	10.8%	17.4%	8.7%	21.7%	-1.2%	-11.8%
MSCI EM + FM ex Select Countries Index	-	8.2%	7.8%	5.0%	10.6%	10.8%	21.9%	1.7%	-6.9%
Outperformance	Gross	8.0%	7.1%	6.8%	7.9%	-1.1%	0.7%	-2.7%	-4.8%
	Net	7.0%	6.1%	5.8%	6.9%	-2.1%	-0.2%	-3.0%	-4.9%

Source: Fiera Capital, as of 31 March 2026. Past performance does not guarantee future results. Inherent in any investment is a risk of loss.

Consistency of Outcomes Across Market Environments

Investors increasingly emphasize not only the magnitude of alpha, but its consistency across time. This is particularly relevant in emerging markets, where returns can be episodic and regime-dependent. Across 1-year, 3-year, and since-inception periods, the Strategy has demonstrated:

- > Positive excess returns relative to MSCI EM
- > Higher Sharpe ratios than the index across the same horizons

In addition, downside capture ratios below 1 suggest that the Strategy has historically participated less in market drawdowns.

For investment committees and consultants, these characteristics may support the case that returns have been driven by a repeatable process rather than by a

single favorable market environment – an increasingly important distinction in manager selection and retention decisions.

Separating Active Risk from Benchmark Risk

A common challenge in performance evaluation is distinguishing between returns driven by benchmark exposures and those driven by active decisions. Because Fiera OAKS EM Select operates in a differentiated universe, its return profile is less dependent on the dominant drivers of traditional EM indices. We believe this reduces the risk that apparent “alpha” simply reflects unintended factor or country exposures.

For investors, this clarity may simplify performance attribution, manager monitoring, and communication with stakeholders – especially within fiduciary frameworks requiring transparent justification of active allocations.

Portfolio Construction Implications

From a portfolio perspective, the Strategy’s low correlation, differentiated exposures, and distinct alpha profile suggest potential as either:

- > A complement to traditional EM index exposure, or
- > A satellite allocation within a broader global equity structure

For investors focused on total portfolio efficiency, these diversification benefits may be as important as standalone returns.



Conclusion

The evolving standards around benchmarking, fee transparency, and fiduciary oversight are reshaping how active management is evaluated – particularly in emerging markets, where index construction can materially influence perceived outcomes. Aligning benchmarks with a Strategy’s true investable universe is not simply a technical adjustment; it is a necessary step toward accurately assessing how active management delivers genuine value.

Fiera OAKS EM Select seeks to illustrate how this approach can provide greater clarity through:

- > A custom benchmark aligned with its opportunity set
- > High active share and differentiated market exposures
- > Evidence of excess returns and improved risk-adjusted outcomes since inception

For plan fiduciaries and investment committees, these findings have practical implications. Where appropriate, we suggest incorporating custom benchmarks

into manager evaluation frameworks to better isolate true alpha from structural index effects. This includes strengthening review processes, requesting benchmark transparency from managers, and more closely tracking the underlying drivers of returns such as country allocation, sector exposure, and security selection.

Ultimately, a more precise approach to benchmarking may enhance decision-making, improve accountability, and provide greater confidence in the role active strategies play within institutional portfolios.



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