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The Democracy International Fund ETF

Investor Presentation November 8, 2024



# Risk Disclosure & Important Information

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**Carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and additional information can be found in the Fund's summary or full prospectus, which may be obtained at [www.democracyinvestments.com](http://www.democracyinvestments.com). Please read the prospectus carefully before investing. A hard copy of the prospectus can be requested by calling 877-PRO-DMCY (877-776-3629) or emailing [DemocracyETF@seic.com](mailto:DemocracyETF@seic.com).**

**Investing involves risk, including the possible loss of principal. There is no guarantee or assurance that the methodology used to create the Index will result in the Fund achieving positive investment returns or outperforming other investment products.**

**The Fund is subject to the risks associated with international investments, which may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic, or political instability in other nations; emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume; and investments in smaller companies typically exhibit higher volatility.**

**The Funds are distributed by SEI Investments Distribution Co., which is not affiliated with Democracy Investment Management LLC.**

**Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.**



## Reasons to Invest

- ① **International exposure** to nearly **3,000 securities** in **49 countries** in both **developed** and **emerging** markets
- ② Addresses current trends in **geopolitical risk** and **shifting supply chains**
- ③ Access to **low cost**, index based **tilted portfolio**

## About the Fund

The **Democracy International Fund** is an all-world ex-US large & mid cap international equity portfolio that leverages *The Economist* Magazine's Democracy Index to **systematically tilt** the portfolio **toward democracies** and **away from authoritarians**.

The Fund seeks to track the total return performance, before fees and expenses, of the Democracy Investments International Index.

## Methodology





## Authoritarianism Creates Risk

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- Higher growth volatility
- More frequent short-term crises
- Rules can change
- Government & judicial corruption
- Governments control private sector (SOEs)
- War, revolution, and civil unrest

## Democracies Foster Economic Growth

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- Lower growth volatility
- Better at avoiding economic crises
- Rule of law & property rights
- Efficient & transparent use of capital
- Observe faster technological change, a primary driver of long-term growth
- Higher per-capita GDP

Source: [Stable Democracies Better at Fostering Economic Growth - Editorial - Faculty & Research - Harvard Business School \(hbs.edu\) news.mit.edu/2019/study-democracy-fosters-economic-growth-acemoglu-0307](https://news.mit.edu/2019/study-democracy-fosters-economic-growth-acemoglu-0307)

"A business case for democracy: regime type, growth, and growth volatility" by Carl Henrik Knutsen, 14 May 2021

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## Problem

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The MSCI and FTSE all world ex-US indices use **market-cap based** methodologies which generally only account for company size and ignore country risk attributes:

- Geopolitical and currency risk
- Shareholder protections and rule of law
- Corruption, favoritism, lack of civil liberties or checks and balances

## Solution

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The Democracy Investments International Index incorporates *The Economist's* Democracy Index country scores with a systematic tilting strategy:

- Over weights countries that embrace democracy
- Under weights more authoritarian countries
- Accounts for trends in de-globalization and shifting supply chains



# Methodology of The Economist's Democracy Index

The Economist Intelligence Unit's index of democracy, on a 0 to 10 scale, is based on the ratings for **60 indicators**, grouped into five categories:

1. Electoral process and pluralism
2. Civil liberties
3. The functioning of government
4. Political participation
5. Political culture



Democracy Index 2023: Global Map by Democracy Score and Regime Type

# The Economist's 2023 Democracy Index Scores (for 2024)



Norway	9.81	Greece	8.14	Brazil	6.68
New Zealand	9.61	South Korea	8.09	Philippines	6.66
Sweden	9.39	Spain	8.07	Colombia	6.55
Finland	9.30	France	8.07	Indonesia	6.53
Denmark	9.28	Chile	7.98	Thailand	6.35
Ireland	9.19	Czechia	7.97	Singapore	6.18
Switzerland	9.14	Israel	7.80	Hong Kong	5.24
Netherlands	9.00	Portugal	7.75	Mexico	5.14
Taiwan	8.92	Italy	7.69	Turkey	4.33
Germany	8.80	Belgium	7.64	Qatar	3.65
Canada	8.69	Malaysia	7.29	Kuwait	3.50
Australia	8.66	Poland	7.18	UAE	3.01
Japan	8.40	India	7.18	Egypt	2.93
UK	8.28	South Africa	7.05	China	2.12
Austria	8.28	Hungary	6.72	Saudi Arabia	2.08

Source: The Economist's Democracy Index (2023) as of Feb 2024; the US score is 7.85 but is not included since out of scope for our All-World Ex-US Index



# The Democracy Investments International Index

% Country Weight Differences in Index Compared to Solactive GBS Global Markets ex US Index Starting Universe

(as of 11.06.2024)

Norway	28%	Greece	6%	Brazil	-13%
New Zealand	26%	South Korea	6%	Philippines	-13%
Sweden	23%	Spain	5%	Colombia	-14%
Finland	22%	France	5%	Indonesia	-15%
Denmark	21%	Chile	4%	Thailand	-17%
Ireland	20%	Czechia	4%	Singapore	-19%
Switzerland	20%	Israel	2%	Hong Kong	-31%
Netherlands	18%	Portugal	1%	Mexico	-33%
Taiwan	17%	Italy	1%	Turkey	-43%
Germany	15%	Belgium	0%	Qatar	-52%
Canada	14%	Malaysia	-5%	Kuwait	-54%
Australia	13%	Poland	-6%	UAE	-61%
Japan	10%	India	-6%	Egypt	-62%
UK	8%	South Africa	-8%	China	-72%
Austria	8%	Hungary	-12%	Saudi Arabia	-73%

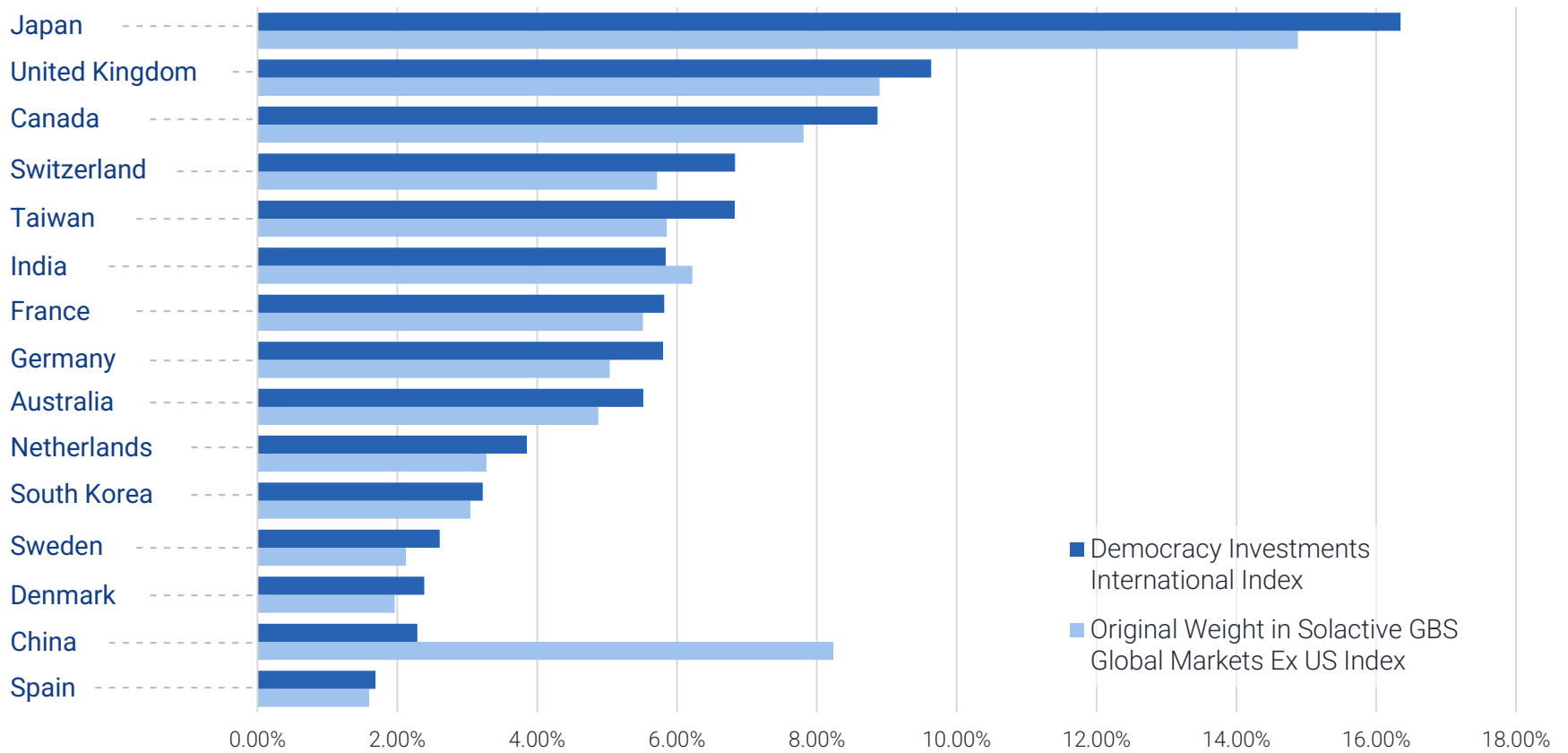
Source: Solactive GBS Global Markets ex US Index reweighted with The Economist's Democracy Index (2024) to create new country weightings in the Democracy Investments International Index; Source: Democracy Investments Index Provider analysis (2024)





# Top 15 Country Weightings Most Impacted

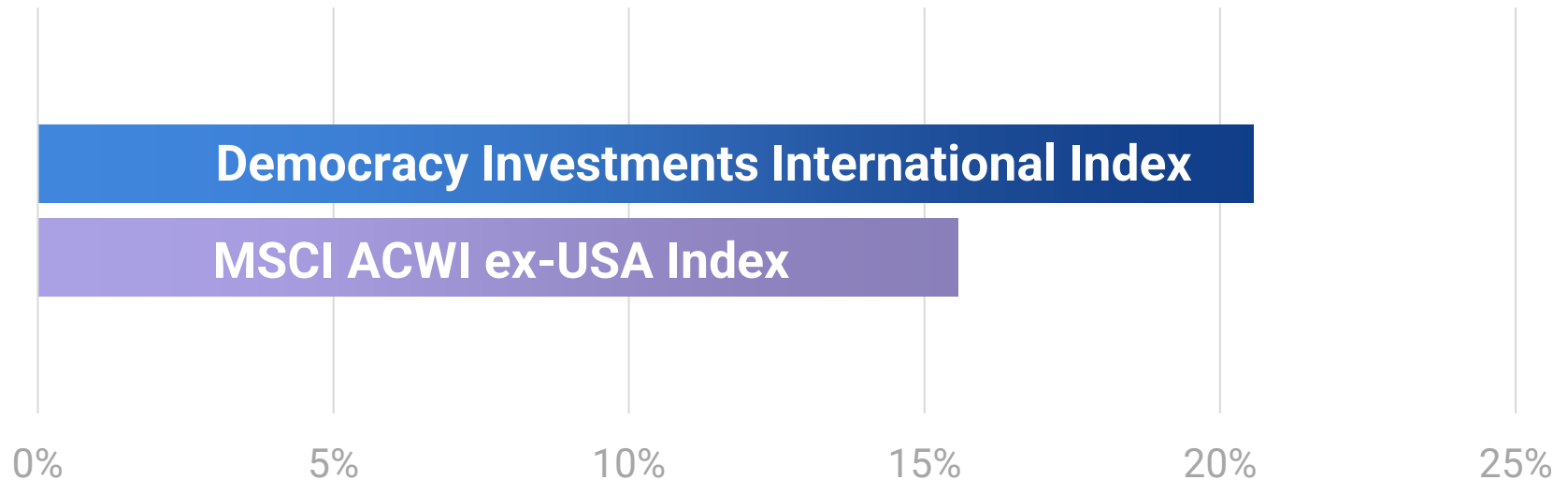
% Weight in Indices by Country  
(as of 11.06.24)





# Index Comparison Since Inception

March 31, 2021 – September 30, 2024



Democracy Investments International Index

20.57%

MSCI ACWI ex-USA Index

15.56%

**Outperformance:**

**+5.01%**

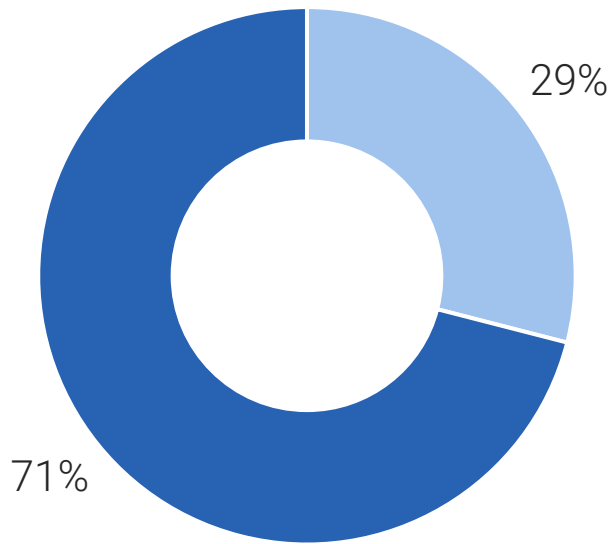
Index returns are for illustrative purposes only and do not represent actual Fund performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. The performance data quoted represents past performance. Past performance is not a guarantee of future results. The Democracy Investments International Index holds over 2900 securities, the MSCI ACWI ex-USA holds over 2200.



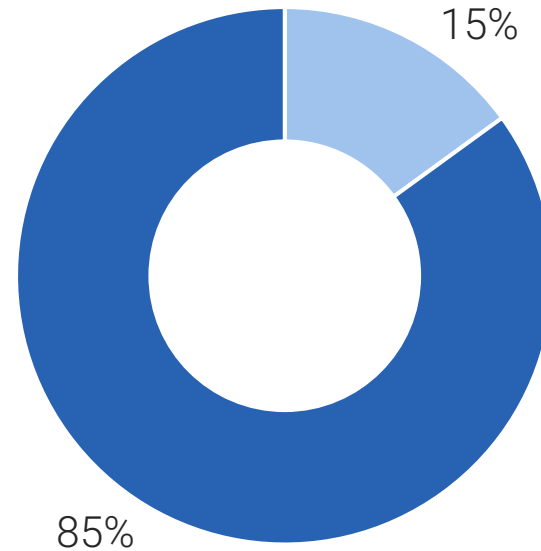
# Where the Strategy May Fit in a Portfolio

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MSCI ACWI ex-USA Index



Democracy Investments International Index



- Emerging Markets
- Developed Markets



# A Good Time to Diversify

International equities are the cheapest they have ever been since the 50s

## Exhibit 32: US is near extreme peaks vs. global equities, well exceeding the 60s/70s Nifty-50 and 2000s tech bubbles

US vs. World ex-US equities (relative price performance, USD)



Source: BofA Global Investment Strategy, Global Financial Data



# Fund and Index Details

## Democracy International Fund ETF Performance as of September 30, 2024

	1 Month	3 Months	YTD	1 Year	3 Year	Since Inception
Fund NAV	1.30%	6.66%	11.60%	23.60%	4.79%	19.10%
Market Price	1.33%	6.93%	12.06%	24.28%	4.93%	19.53%

### Democracy International Fund ETF

Ticker	DMCY
Exchange	NYSE
CUSIP	00774Q 148
ISIN	US00774Q1489
Expense Ratio	0.50%
AUM	\$8.5M
Number of Holdings	197
Inception Date	3/31/2021

### Democracy Investments International Index

Ticker	DMCYNTR
Index Calculator	Solactive AG
Weighting Method	Single Factor
Rebalancing	Quarterly
Weighted Average	\$85 Billion
Median Market Cap	\$8 Billion
Number of Holdings	2,947
Launch Date	3/29/2021



# Advisory Board



**Jenny Johnson**  
President & CEO,  
Franklin Templeton



**Ken Kroner**  
CEO of Pluribus Labs  
Previously Barclays &  
BlackRock



**Michael Levas**  
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Irongate Capital Advisors  
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Analyst & Business  
Development  
USMC Veteran



# Partners, Experience, and Platforms

## ETF Issuer: SEI's Advisors' Inner Circle (AIC) Platform

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- \$96 billion in AUM on AIC; 51 clients, 124 funds, 30+ years of series trust experience
- Governance: Board; Fund & Independent Trustee Counsel, Fund officers including President and CFO
- Transfer Agent, Custodian: Brown Brothers Harriman
- Independent Public Accountant: PwC
- Fund Counsel: Morgan Lewis Bockius

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**BROTHERS**  
**HARRIMAN**

**pwc**

**Morgan Lewis**

## Team Experience

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Listed on the NYSE and available through your preferred brokerage platform

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**InteractiveBrokers**

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# Summary – Reasons to Invest

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- 1) International exposure to nearly **3,000 securities** in **49 countries** in both **developed and emerging** markets
- 2) Addresses current trends in **geopolitical risk** and **shifting supply chains**
- 3) Access to **low cost**, index based **tilted portfolio**

Diversify with Democracy – Add DMCY to your portfolio today

Listed on the NYSE and available through your preferred brokerage platform



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# More Information

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Ticker **DMCY** listed on NYSE

Web: [www.democracyinvestments.com](http://www.democracyinvestments.com)

## Fund Information and Prospectus

Phone: 877-PRO-DMCY (877-776-3629)

Email: [DemocracyETF@seic.com](mailto:DemocracyETF@seic.com)

## Contact

Email: [julie.cane@democracyinvestments.com](mailto:julie.cane@democracyinvestments.com)

Phone: 415-933-0805

## Social Media

LinkedIn: [democracy-investments](https://www.linkedin.com/company/democracy-investments)

Twitter: [@DemocracyDmcy](https://twitter.com/DemocracyDmcy)



# Disclosure

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**Democracy Investment Management LLC (“Democracy Investment Management”) is an SEC registered investment adviser with its principal place of business in the State of California. Registration does not imply a certain level of skill or training. Additional information about Democracy Investment Management, including our business, fees, and services is available upon request or by going to the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Democracy Investments has entered into an agreement with The Economist Group to license their “Democracy Index” for five years. The Economist Intelligence Unit (EIU), the research and analysis division of Economist Group, provides forecasting and advisory services through research and analysis and is responsible for the Democracy Index. The EIU’s Democracy Index provides a snapshot of the state of world democracy for 165 independent states and two territories. The Democracy Index is based on five categories: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. Each category has a rating on a 0 to 10 scale, and the overall index is the simple average of the five category indexes. Full democracies have scores greater than 8; authoritarian regimes have scores less than or equal to 4.**

**It is not possible to invest directly into an index. Democracy Investments selects securities based on applying its proprietary methodology which incorporates the Democracy Index. These securities are subject to transaction, custodial and other fees, which decrease shareholder returns. Investing in the stock market involves gains and losses and may not be suitable for all investors.**

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