



# DMCY

The Democracy International Fund ETF

Investor Presentation March 20, 2024



# Risk Disclosure and 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.

# Executive Summary

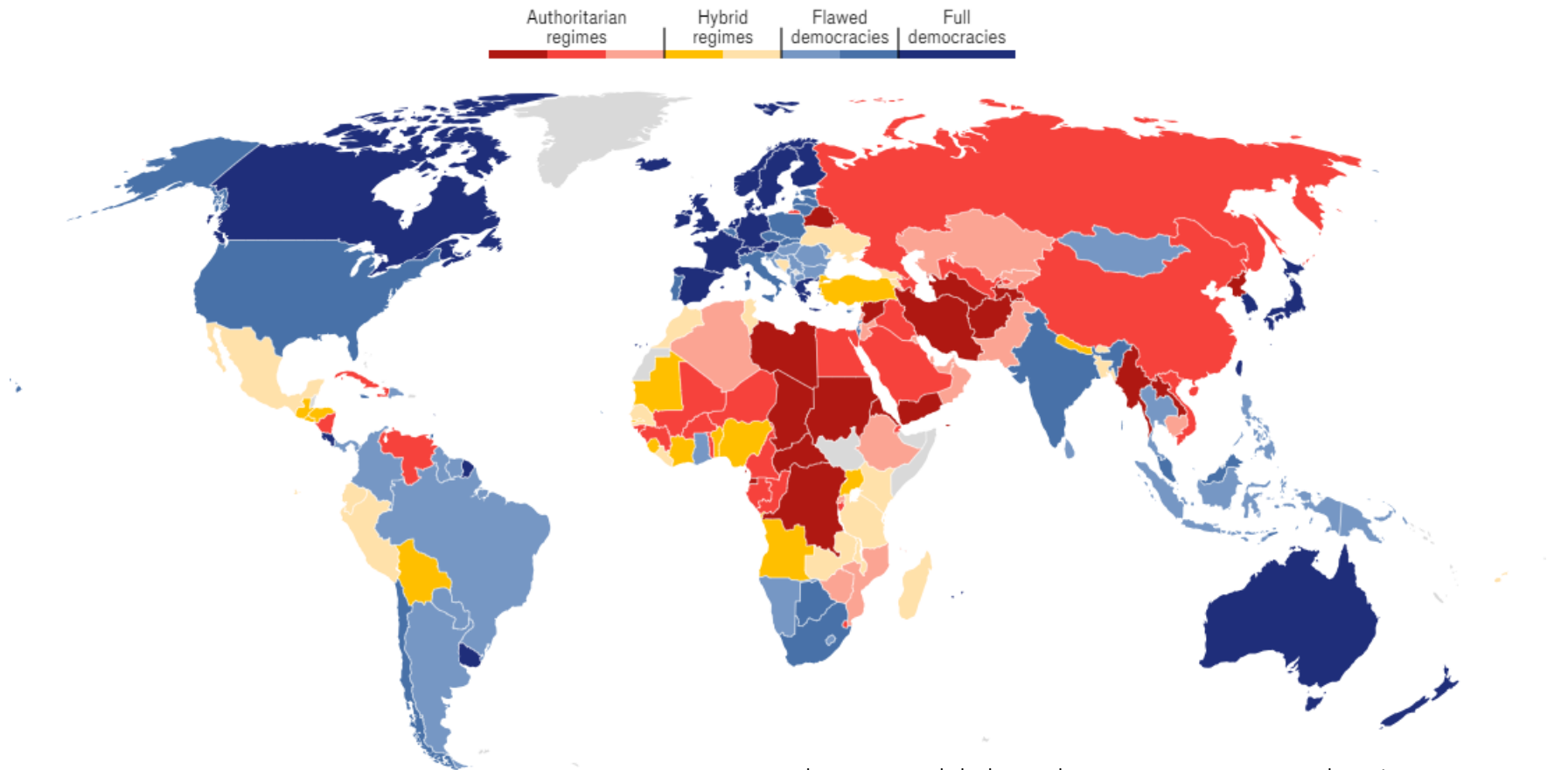
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- The predominant international index funds **ignore changing geopolitical dynamics** and **deglobalization trends** and have been pressured over the years to allocate more to authoritarian states
- Democracy Investment's index methodology leverages ***The Economist's Democracy Index***, an **independent, robust and transparent** measure of democracy
- The Democracy International Fund (ticker DMCY ) offers a **simple, compelling, values-based impact strategy** to invest internationally

The  
Economist



# Democracy in Decline



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

The Economist has tracked falling global democracy scores to recent lows in 2023 since the Index first published in 2006, and less than half of the world's population live in a democracy of some sort.



## **Authoritarians are More Risky**

## **Democracies Foster Economic Growth**

**Higher Growth Volatility**

**Lower Growth Volatility**

**More Frequent Short-Term Crises**

**Better at Avoiding Economic Crises**

**Rules Can Change**

**Rule of Law & Property Rights**

**Government & Judicial Corruption**

**Efficient & Transparent Use of Capital**

**Governments Control Private Sector  
(SOEs)**

**Observe Faster Technological Change,  
a Primary Driver of Long-Term growth**

**War, Revolutions & Civil Unrest**

**Higher per Capita GDP**

Source: [Stable Democracies Better at Fostering Economic Growth](https://news.mit.edu/2019/study-democracy-fosters-economic-growth-acemoglu-0307) - 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



# Problem: Market-Cap Based Indexing

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The MSCI and FTSE all world ex-US indices use **market-cap based** methodologies which only account for company size

- Only consider a company's market capitalization
- Ignore country risk attributes
  - **Geopolitical** and **currency risk**
  - **Shareholder protections** and **rule of law**
  - **State interests come first**
  - **Corruption, favoritism and a lack of checks and balances**
  - **Lack of civil liberties**
- Not aligned with common investor values



## Solution: DMCY

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The **Democracy International Fund ETF (ticker: DMCY)** is both **market cap AND democracy weighted**.

**DMCY** tracks an all world ex-US Index that incorporates ***The Economist's Democracy Index*** country scores

- Over weights countries that embrace democracy
  - **Freedom of speech**
  - **Free and fair elections**
  - **Civil liberties**
  - **Functioning of government**
- Under weights more authoritarian countries
  - Human rights abuses (**genocide** and **child labor**)
  - **Media censorship**
  - **Judicial corruption**
  - **Lack of free and fair elections**



# Methodology of The Economist's Democracy Index

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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**



Each category has a rating on a 0 to 10 scale, and the overall Index is the simple average of the five category indexes. The category indexes are based on the sum of the indicator scores in the category, converted to a 0 to 10 scale. Adjustments to the category scores are made if countries do not score a 1 in the following critical areas for democracy:

- 1. Whether national elections are free and fair.**
- 2. The security of voters.**
- 3. The influence of foreign powers on government.**
- 4. The capability of the civil service to implement policies.**

Source: "The Democracy Index 2022", The Economist Intelligence Unit 2022





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

Norway	9.81	Belgium	7.64
New Zealand	9.61	Malaysia	7.29
Sweden	9.39	India	7.18
Finland	9.30	Poland	7.18
Denmark	9.28	South Africa	7.05
Ireland	9.19	Hungary	6.72
Switzerland	9.14	Brazil	6.68
Netherlands	9.00	Philippines	6.66
Taiwan	8.92	Colombia	6.55
Luxembourg	8.81	Indonesia	6.53
Germany	8.80	Thailand	6.35
Canada	8.69	Singapore	6.18
Australia	8.66	Papua New Guinea	6.03
Japan	8.40	Peru	5.81
United Kingdom	8.28	Hong Kong	5.24
Austria	8.28	Mexico	5.14
Greece	8.14	Turkey	4.33
South Korea	8.09	Qatar	3.65
France	8.07	Pakistan	3.25
Spain	8.07	United Arab Emirates	3.01
Chile	7.98	Egypt	2.93
Czech Republic	7.97	Russia	2.22
Israel	7.80	China	2.12
Portugal	7.75	Saudi Arabia	2.08
Italy	7.69		

United States 7.85



# Democracy Investments International Index

## **% Country Weight Deltas in Portfolio versus Solactive GBS Global Markets ex US Index as Baseline** (as of 02.15.2024)

Norway	27%	South Korea	5%	Brazil	-14%
New Zealand	24%	France	4%	Philippines	-14%
Sweden	21%	Spain	4%	Colombia	-15%
Finland	20%	Czech Republic	3%	Indonesia	-16%
Denmark	20%	Chile	3%	Thailand	-18%
Ireland	19%	Israel	1%	Singapore	-20%
Switzerland	18%	Portugal	0%	Hong Kong	-32%
Netherlands	16%	Belgium	-1%	Mexico	-34%
Taiwan	15%	Italy	-1%	Turkey	-44%
Canada	12%	Malaysia	-6%	Qatar	-53%
Germany	12%	India	-7%	Kuwait	-54%
Australia	12%	Poland	-7%	UAE	-61%
Japan	9%	South Africa	-9%	Egypt	-62%
U.K.	7%	Hungary	-13%	Saudi Arabia	-73%
Austria	7%			China	-73%
Greece	5%				

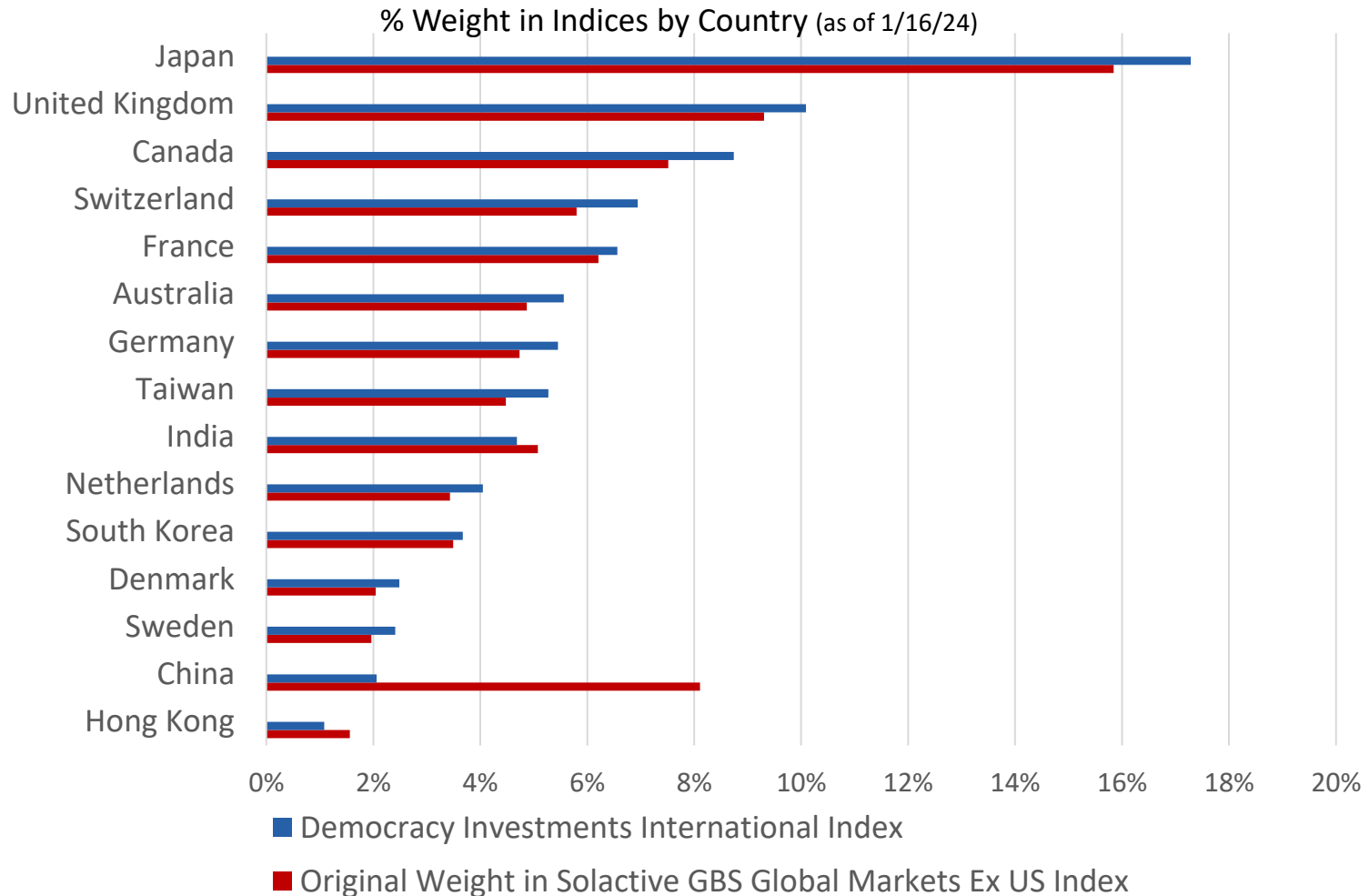
Source: Solactive GBS Global Markets ex US Index reweighted with The Economist's Democracy Index (2023) to create new country weightings in the Democracy Investments International Index; Russia is no longer in the Index but was down weighted -55% prior to divestment

Source: Democracy Investments Index Provider analysis (2023)

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# Top 15 Country Weightings Most Impacted





# Democracy Investments International Index

## Methodology: Simple & Transparent

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### All World Ex US Index

*Starting Universe*

### EIU Democracy Index


*Exclusive License  
Overlay*

### Democracy Investments International Index

*New Democracy  
Weighted Index*

The Index uses a passive management approach to create the Democracy Investments International Index.

1. Starting universe is the Solactive GBS Global Markets ex-US Large & Mid Cap USD Index of **2900+ securities in 49 countries, market cap weighted international equities.**
2. Each security is assigned a “**country of risk**” based on Refinitiv Eikon.
3. ***The Economist’s Intelligence Unit (EIU) Democracy Index score*** is then applied to each security by “country of risk” and normalized.
4. Proprietary methodology results in the new index, which has greater weightings in companies in countries with higher Democracy Scores and lesser weightings in companies in countries with lower Democracy Scores.
5. The Index is rebalanced and reconstituted on a quarterly basis.



If you could diversify your  
international investment exposure  
with the values of democracy  
without sacrificing anything,  
would you do it?



# Actual Performance Since Inception: Market cap only all world ex-US index ETF products versus DMCY

## - Product Comparison -

35 Month Returns USD (ITD)	(4/1/21 – 2/29/24)
Democracy Investments International Index	8.30%
Solactive GBS Global Markets ex US Index	3.30%
Difference	+500 bps
MSCI ACWI ex-US Index	2.71%
Difference	+559 bps
FTSE All World ex-US Index	4.70%
Difference	+360 bps

The performance data quoted represents past performance. Past performance does not guarantee results.

Source: Democracy Investments Index Provider analysis (2024)

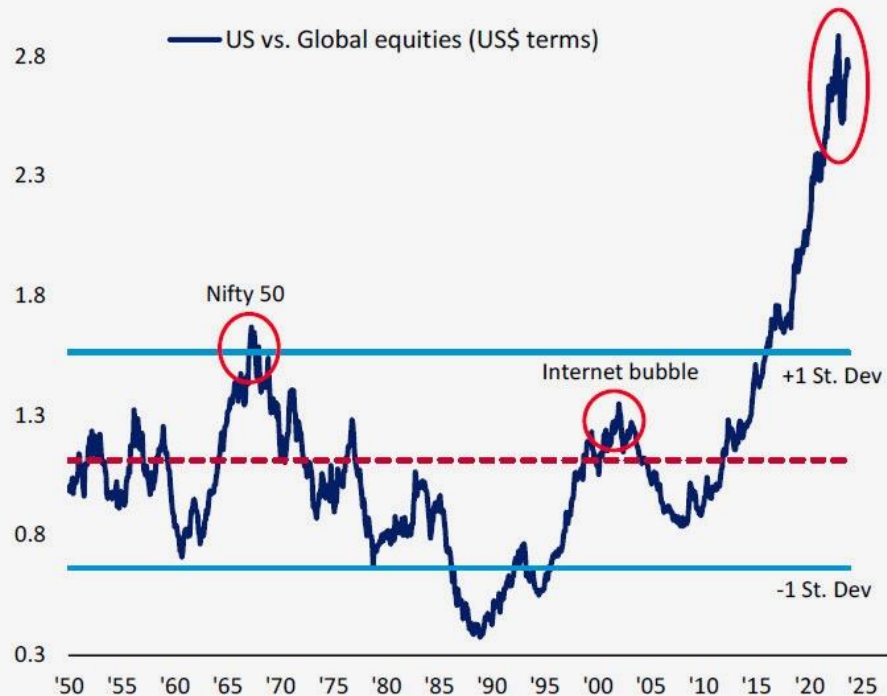
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# A Good Time to Diversify

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 JANUARY 1, 2024

	1 Month	3 Months	1 Year	Since Inception
Fund NAV	5.47%	10.76%	17.13%	6.72%
Market Price	5.43%	10.91%	16.60%	6.67%

### DEMOCRACY INTERNATIONAL FUND ETF

Ticker	DMCY
Exchange	NYSE
CUSIP	00774Q 148
ISIN	US00774Q1489
Expense Ratio	0.50%
AUM	\$7M
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





# Top Holdings Before and After Democracy Weighting

Solactive World ex-US Benchmark versus Portfolio (1/16/25)

## Solactive GBS Global Markets ex US Index

1	Taiwan Semiconductor Manufacturing	1.74%	Taiwan
2	Novo Nordisk	1.35%	Denmark
3	Nestle	1.31%	Switzerland
4	ASML	1.06%	South Korea
5	Samsung Electronics	1.04%	Netherlands
6	Shell	1.00%	China
7	Novartis	0.97%	U.K.
8	Roche	0.87%	Japan
9	Toyota	0.84%	Switzerland
10	Astrazenca	0.84%	U.K.
11	LVMH	0.83%	Switzerland
12	BHP	0.81%	France
13	HSBC	0.72%	China
14	Total Energies	0.66%	France
15	SAP	0.65%	U.K.

Democracy Weight

## Democracy Investments International Index

1	Taiwan Semiconductor Manufacturing	2.05%	Taiwan
2	Novo Nordisk	1.64%	Denmark
3	Nestle	1.56%	Switzerland
4	ASML	1.22%	Netherlands
5	Samsung Electronics	1.12%	South Korea
6	Shell	1.05%	U.K.
7	Novartis	1.01%	Switzerland
8	Roche	0.99%	Switzerland
9	Toyota	0.95%	Japan
10	Astrazenca	0.91%	U.K.
11	LVMH	0.86%	France
12	BHP	0.73%	Australia
13	HSBC	0.71%	United Kingdom
14	Total Energies	0.69%	France
15	SAP	0.69%	Germany

*Holdings are subject to change*



# Democracy Investments Leadership

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## Advisory Board

**Jenny Johnson**

President & CEO, Franklin Templeton



**FRANKLIN  
TEMPLETON**

**Ken Kroner**

CEO of Pluribas Labs, Previously Barclays and BlackRock

**BlackRock**

**Michael Levas**

Venture Partner, Irongate Capital Advisors  
Founder and Managing Principle at the Olympian Group

**IRONGATE**  
CAPITAL ADVISORS



**OLYMPIAN**



# Democracy Investments Leadership

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## Partners

**Julie Cane, Managing Partner, Co-Founder**  
CEO, Previously Wells Fargo, Charles Schwab and SEI



**Christopher Browne, CFA®, Partner, Co-Founder**  
Chief Investment Officer, Previously Franklin Templeton,  
Shelton Capital and Pacific Income Advisers

**SEI** New ways.  
New answers.®



**Richard Rikoski, PhD, Partner, Co-Founder**  
Chief Economist



**Edward Rosenberg, Partner**  
ETF Consultant, Previously American Century  
Investments, Northern Trust, Russell Investments and  
Vanguard





## Summary

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- **Democracy is now a new factor in international investing**, supported by geopolitical trends toward **deglobalization** and **shifting supply chains**
- **DMCY is a simple, systematic, passive and values-based international strategy** with **highly correlated returns**
- Investors can **align with their values of democracy** and **vote with their dollars**

## 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)

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# 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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