Letter to Investors

South Korean stocks rose 83% last year – now what do we do?

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Asia ex-Japan Equity
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Federated Hermes
Limited

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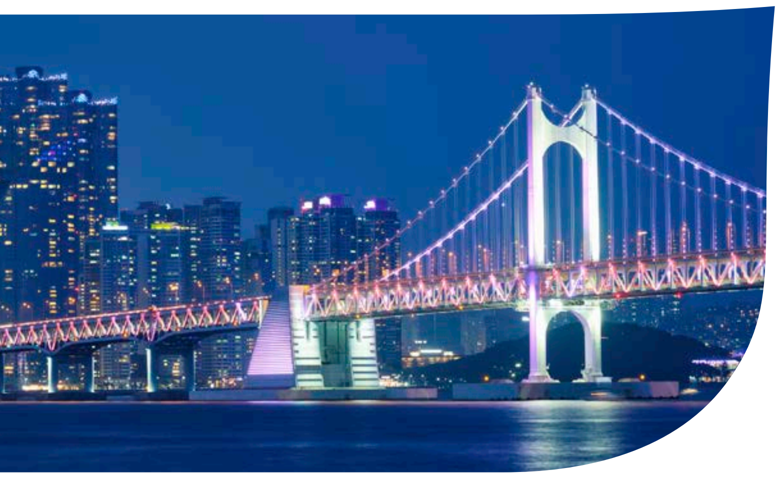
The Strategy's performance last year was boosted by the stellar performance of South Korean stocks – the best performing large equity market in the world in 2025. In our Letter to Investors, we discuss how we are responding to the rally and whether there is still value in our South Korean holdings.

- South Korea's Kospi index surged 83% last year,[1] and in light of our overweight to the country, significantly boosted the Strategy's overall performance.
- We estimate that about half of the rise in the Kospi during 2025 was because of improvements to corporate governance in the country, and about half because of investor enthusiasm around artificial intelligence (AI) and semiconductors. We believe our own efforts played a potentially significant role in spurring the corporate governance overhaul in South Korea, with all six key recommendations we made in our February 2024 note the Unpersuadables? in various stages of adoption and implementation.
- We have reduced some of our holdings in South Korea in response to the sharp rise in equities. However, we consider our remaining South Korean stocks to still be attractive in a market that has 'risen for a reason' and remain overweight. A number of our holdings are linked to the fortunes of tech giant Samsung Electronics, but are also supported by additional reform-led factors.

Our Asia ex-Japan Equity Strategy outperformed its benchmark – the MSCI Asia ex-Japan IMI – in 2025 on a gross and net basis, helped by our overweight to a resurgent South Korea, and our underweight to India (which rose a paltry 2%).[2]

Of course, we didn't get everything right. Our attribution analysis shows that although our stock picks resulted in the Strategy being positioned in the 'right' countries, stock selection *within* countries detracted.



Our underweight to South Korean chipmaker SK Hynix and Chinese e-commerce giant Alibaba alone were responsible for detracting more than 2% of relative performance.

Hynix, a seller of AI and commodity memory chips, and Alibaba, a buyer of AI chips, both rose amid expectations of sustained AI chip sales and high 'commodity' memory prices for the seller, and predictions of an eventual high return on dollars spent on AI chips by the buyer.

Our performance attribution last year was unusual for us. Between 2021 and 2024 our bottom-up approach to stock selection led to the Strategy being overweight underperforming countries and underweight outperforming countries – which detracted from relative performance –and meant we needed to 'make up for it' through stock selection *within* countries, which fortunately, we did (see Figure 1).

Taking a broader perspective, those who know our bottom-up stock selection methodology also know that the distinction between whether we outperformed because we were in the right countries or because we were in the right stocks relative to the countries in which they resided, might not be an essential one. We pick stocks that we expect will perform strongly, with less regard for the sectors or countries they are located in.

Of course, this approach introduces country and sector risk.

We seek to manage this 'top down' risk, primarily at the country level (rather than the sector level). We are more concerned with country risk because it's where we typically have bigger deviations from the benchmark; and because should something 'go wrong' in a country (such as conflict, currency devaluation, or sanctions) it is more likely to result in permanent capital loss, as opposed to sector-specific problems.

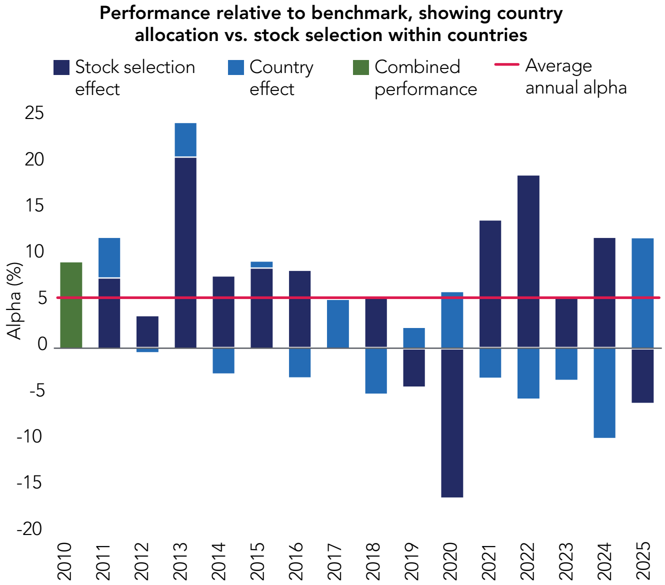
Nevertheless, an analysis of the composition of our long-term outperformance is revealing.

[1] Bloomberg as at 31 December 2025.

[2] Specified in US dollars. Source: Bloomberg. Past performance is not a reliable indicator of future results.

As Figure 1 illustrates, since the Asia ex-Japan Equity Strategy's inception 16 years ago, country allocation (sum of the light blue bars) has resulted in essentially *no* alpha contribution. Meanwhile, *all* our approximately 5.4% annualised gross alpha can be attributed to stock selection (sum of the dark blue bars) *within* countries.

Figure 1: Right stocks. Countries, not so much



Source: Federated Hermes as at 31 December 2025. Gross of fees. Attribution split not available for first half of 2010, hence combined performance shown for that year. Country effect includes currency effect. The information shown is supplemental to the GIPS® compliant relevant composite report. **The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Past performance is not a reliable indicator of future results.**

It begs the question: why bother? Why not simply equally weight the various countries and let our stock picking do the rest? Would such an approach allow us to retain our stock selection alpha while eliminating the country risk?

Unfortunately, we think not. When we pick stocks, we do so with an absolute return mindset. Indeed, we consider this mindset – together with our long-term time horizon – as key to our competitive advantage.

When an analyst recommends a stock, we require a convincing argument that the stock will achieve at least a 15% annual return over five years (taking into account the current price, dividends we expect to receive, and what price we expect to be able to sell the stock for at the end of a five-year period).

For stocks paying a 'normal' (as opposed to very high) dividend, the stock price will typically need to double over the period, to achieve a 15% annual return. Such a requirement implicitly ignores the level of, and expectations for, our benchmark. When we assess a stock, it needs to make sense as a good investment, on an *absolute* basis, on its own, on first principles.

How might a stock double in price over five years? Essentially, there are two ways:

a) The earnings-per-share needs to double with the rating (such as price-to-earnings multiple) staying the same;

b) Or the rating needs to double, with earnings per share staying the same.

Of course, a *combination* of these two factors – such as both the earnings per share and price-to-earnings multiple rising by 50% over the period – would also do the trick.

Our requirement for earnings growth (and normally at least some re-rating) steers us towards stocks that can meet these stringent requirements.

In the event that we were forced to only pick stocks from an unattractive subset – such as companies based in an 'expensive' country or sector – we would struggle to find suitable candidates.

We do not back ourselves to pick the better of two unattractively priced stocks. It is not where our skillset lies.

For example, if we were asked to pick between India's Hindustan Unilever (trading on a price-to-earnings multiple of 52 times with expected revenue growth of 6%) and India's JSW Steel (trading on a price-to-book multiple of 3.6 times – high for a steel stock), we would scratch our heads.[3]

We do not expect either company to double its rating, or earnings per share or book value per share; or meet our 'stock price doubling' requirement by some other combination of growth and re-rating.

We would buy neither on first principles. Instead, we would be more interested in China's second-largest e-commerce player, JD.com, trading on 11 times forward earnings, which have been (hopefully only) temporarily depressed by a loss-making food delivery venture; or Thai lender Bangkok Bank trading on a price-to-book multiple of 0.6 times and on a price-to-earnings multiple of 6 times.[4]

We believe that such stocks are more likely to benefit from both a re-rating and earnings growth – allowing us to achieve our 15% annual return target.

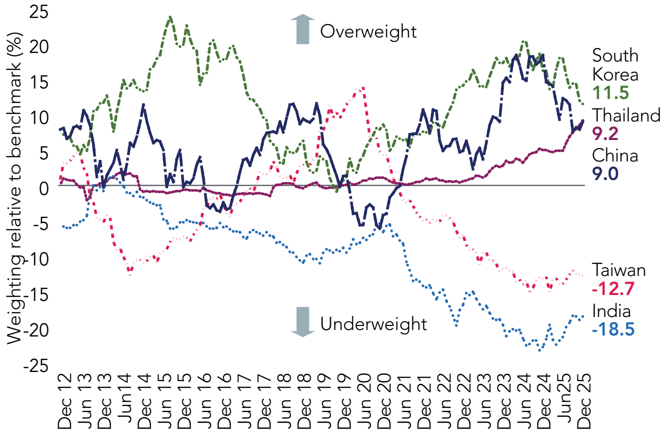
It is important to note that we bought these stocks, based on our absolute return framework, despite our Strategy *already* being overweight China and Thailand.

We don't, of course, always seek out the cheapest markets and are not overly focused on re-rating potential – growth is at least an equal part of our assessment.

Indeed, a rigorous analysis of growth prospects (as opposed to re-rating potential) is central to our research process.

At the present time, we are overweight the relatively cheaper markets of South Korea and China, but this has not always been the case. In 2014, for example, we were overweight India! (see Figure 2).

Figure 2: Yes, we have been overweight India in the past (briefly)

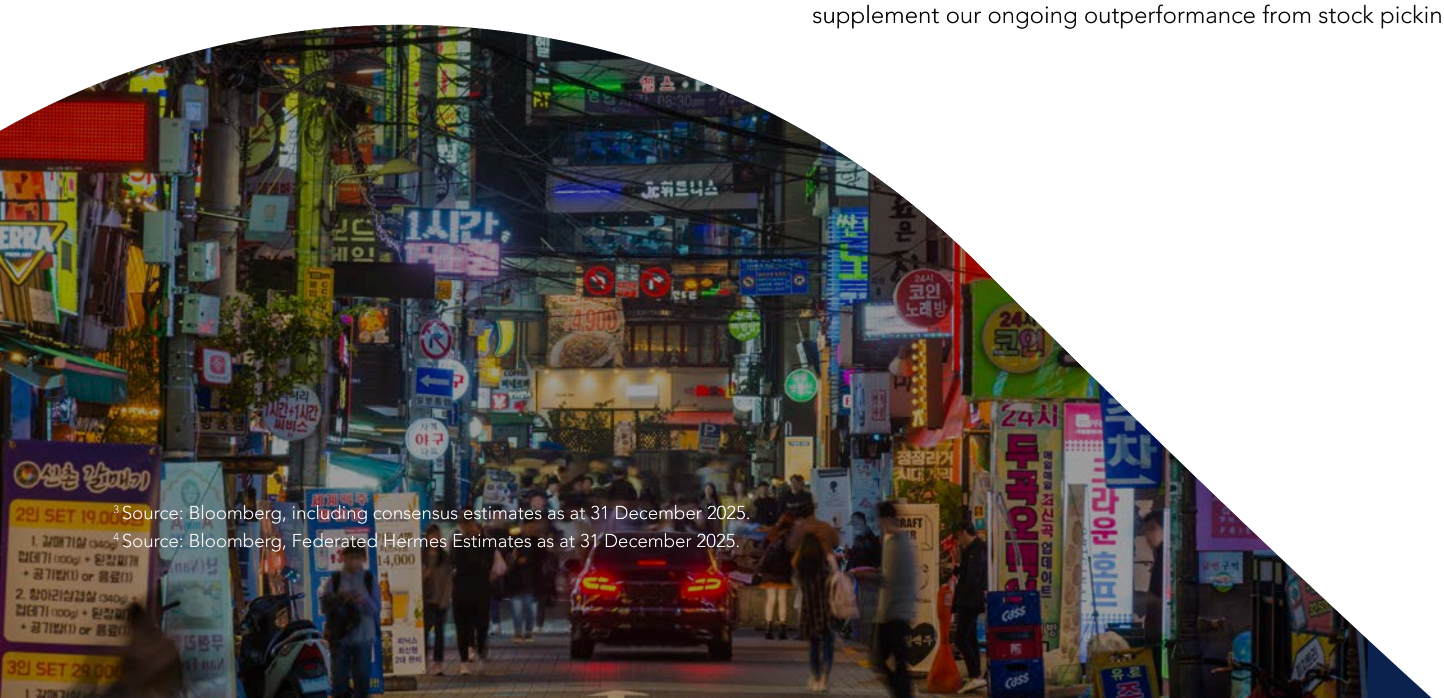


Source: Federated Hermes as at 31 December 2025. The China weighting includes Hong Kong.

Despite our bottom-up approach, we admit to being surprised and somewhat disappointed that we have not as yet realised a significant positive long-term attribution from country allocation.

We expected that by consistently acquiring holdings in countries with attractively priced stocks, an attribution analysis would eventually have shown a positive country effect too. So far, however, this has not been the case. We have often been overweight China and South Korea and – despite both countries performing strongly in 2025 – they have, in most previous years, underperformed the other two largest countries in our benchmark, India and Taiwan, and remain at depressed relative valuations.

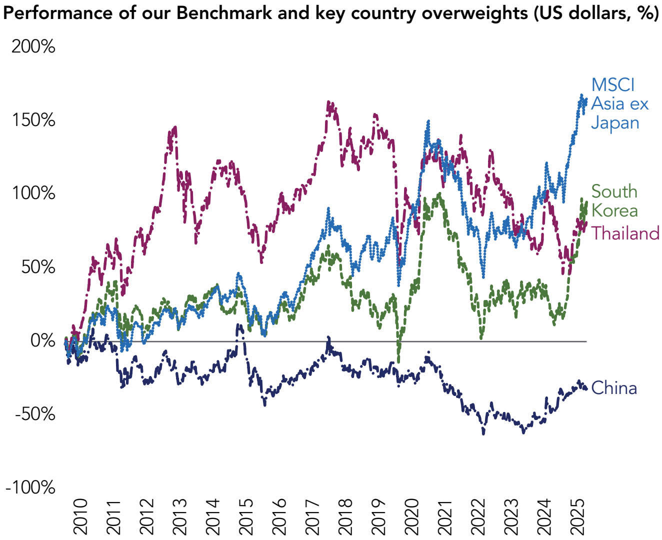
We anticipate that 2026 will see a continuation of a reversal that might have begun in 2025, as South Korea and China continue to outperform. We remain overweight South Korea and China (and more recently, Thailand). We expect broad outperformance of stocks in these countries to sooner-or-later result in country outperformance, which we hope will supplement our ongoing outperformance from stock picking.



[3] Source: Bloomberg, including consensus estimates as at 31 December 2025.
[4] Source: Bloomberg, Federated Hermes Estimates as at 31 December 2025.

Certainly, it would be nice to have sustained tailwinds for a change, as opposed to the country-led 'top-down' headwinds we have often experienced – and to not have to be 'saved' by our stock picking amid an unfavourable country allocation.

Figure 3: China, South Korea and Thailand – our largest country overweights are long-term underperformers



Source: Bloomberg as at 31 December 2025. Past performance is not a reliable indicator of future results.

> **We are proud of our letter because it went beyond simply expressing an opinion (which, of course, we *also* did by significantly overweighting South Korean stocks).**

South Korea – is what glitters finally gold?

In 2025, South Korea's Kospi index rose 83%.[5]

We have written many Letters to Investors during the Strategy's 16-year history, but the one we are most proud of is: South Korea: Enough is Enough published in late 2023.

After it was published, the document gained a lot of traction in South Korea, including among retail investors who are increasingly expressing their views in the ballot box. We believe it contributed to the changes in corporate governance we are now seeing in the country, following the election of President Lee Jae Myung in June – who made raising the level of the South Korean stock market *central* to his campaign.

We estimate that about half of the rise in the Kospi during 2025 was because of improvements to corporate governance in the country, with the other half because of investor enthusiasm around AI and semiconductors (boosting index giants such as Samsung Electronics and SK Hynix).

Critics of engagement argue that unless an investor holds a very significant stake in a company, they should appreciate the limitations of their role. An investment, they argue, is an expression of an opinion about a stock – nothing more, nothing less.

If your opinion turns out to be right, and the stock performs, you do well for your clients, and vice versa.

We are proud of our letter because it went beyond simply expressing an opinion (which, of course, we *also* did by significantly overweighting South Korean stocks).[6]

In this instance, we also advocated in favour of that opinion and much to our satisfaction, believe we were able to successfully influence the outcome far beyond our expectations.

[5] In US dollars. Source: Bloomberg.

[6] Our effort, of course, wasn't limited to writing letters. We (together with our engagement arm, EOS) adopted and publicised a new voting policy for directors of errant companies, conducted an extensive media campaign and promoted our views to governance bodies, in conferences, to the Korea Exchange and staff at South Korea's largest investor, the National Pension Service.

Our follow-up article, The unpersuadables? contained six key recommendations for South Korea's regulators:

1. "End compelled share swaps (including dilutionary new issues in exchange for shares in other companies) by requiring separate minority shareholder approval for swaps or dilutionary share issues when issued in exchange for shares.
2. Introduce a mandatory offer 'tag along' rule for takeovers.
3. Require minority shareholder separate approval for related party transactions.
4. Require shares that have been bought back (including accumulated stock held in treasury) to be cancelled, save for a reasonable percentage of uncancelled outstanding treasury stock as is customarily permitted in other, well-regulated markets.
5. Codify into law a directors' fiduciary duty to the company and to shareholders (rather than simply a duty of 'loyalty' to the company, which is a more ambiguous concept and subject to widely varying interpretations).
6. Require an annual statement of directors (with measurable interim objectives) addressing balance sheet capital management, which should include, in particular:
   - in the case of stocks trading below book value, a plan to raise stock prices to at least book value (with exceptions granted to banks, utilities and other companies that have regulated returns or capital);
   - in the case of holding companies, a plan to eliminate the discount at which a stock trades to the sum of its parts;
   - justifying cash balances that are high (relative to equity, total assets or market capitalisation), taking into account the specific circumstance of the company; and
   - justifying the continuing use of expensive preferred stock (which can be up to twice as costly to service – relative to the cost of buying it back – as common stock)."

At the time of writing, South Korea has already introduced a fiduciary duty rule – recommendation *five* – and the most important. It is set to implement recommendation *two* (mandatory takeover law) and *four* (treasury stock cancellation). It is also likely to make changes that partly address recommendation *one* by requiring 'fair value' to be used rather than 'market value' in share swaps. Moreover, it should potentially address recommendation *three* through a broad interpretation of the fiduciary duty law change; and partly answer recommendation *six* by encouraging a 'value up' statement (although less comprehensive than our suggestion).

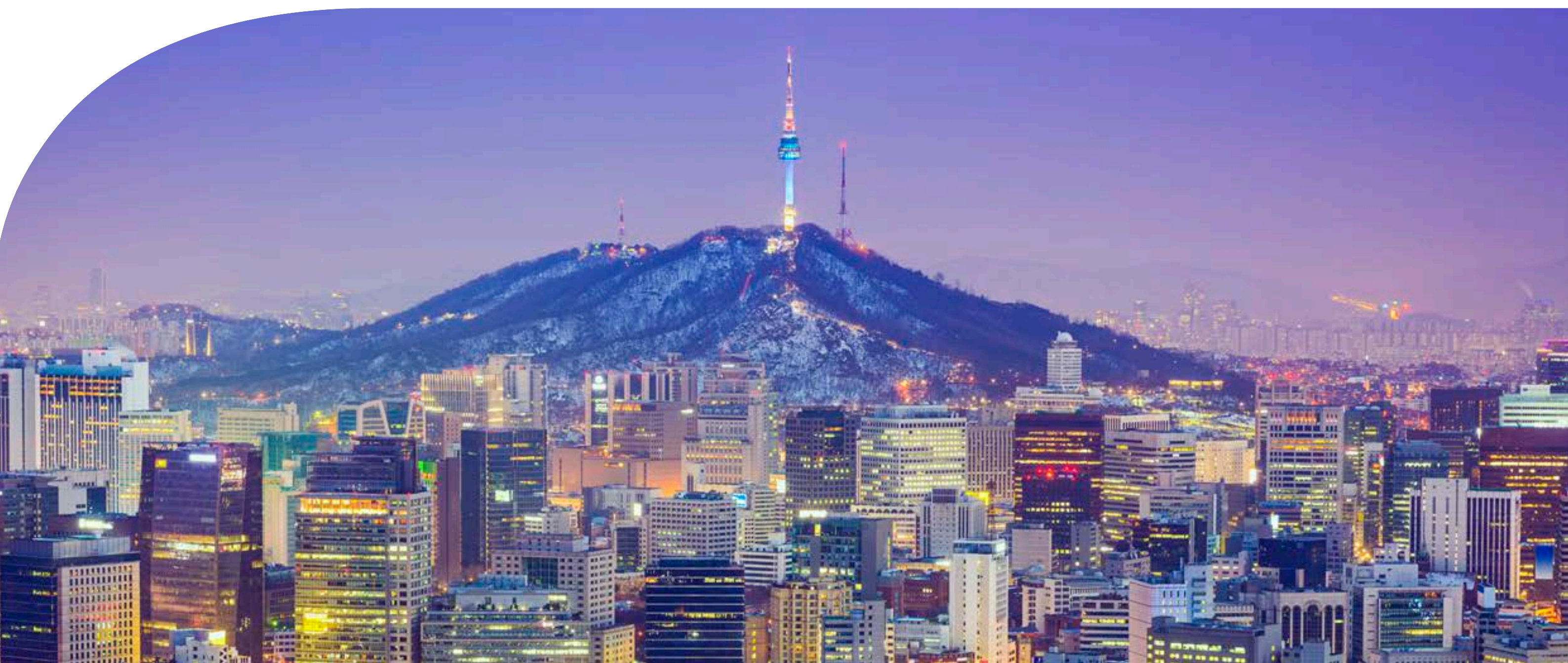
In addition, the new government has announced tax changes that encourage higher dividend payout ratios (low dividend payout ratios in South Korea have contributed to low stock prices because a stock price is typically assessed as the present value of future dividends).

With these changes, South Korea has addressed the main reasons for the so-called 'Korea discount', which had led to local companies persistently trading at lower price-to-earnings multiples than their global peers.

A key remaining weakness is the country's still-very-high inheritance tax rate – which is difficult to avoid, even with effective tax planning – in the context of many of the country's largest companies being family controlled. A high inheritance tax rate remains a powerful incentive to keep stock prices low and unless addressed makes it likely that South Korea will continue to attract a discount relative to other markets, albeit far smaller than before.

(While the inheritance tax issue is not being immediately addressed by lawmakers, it might be tackled in the future. In addition, the requirement for the cancellation of treasury stock – which is likely to be passed into law soon – will reduce the number of companies controlled by families and will, as a result, reduce the incentive at those companies to keep stock prices low, even in the face of a high inheritance tax because directors of companies no longer controlled by families won't be beholden to selfish family interests).

Stock prices, therefore, have risen for good reasons. South Korea remains inexpensive relative to other countries (and our benchmark), and as specific laws addressing governance weaknesses continue to be implemented during 2026, we



hope the news flow will continue to provide a positive backdrop for the country's stocks. We have, accordingly, retained our overweight to South Korea.

Of course, any time stocks rise as quickly and as high as South Korea's, there is always the risk of a market pullback.

As a result, we have progressively cut the extent of our overweight to South Korea, which now stands at 12% (from a peak of 20%), leaving us with an absolute weight of 27% in South Korean stocks.

We reduced our overweight mainly by selling the stocks that had performed the best – such as high beta plays like stockbrokers.

We also cut our exposure to South Korean banks. The country's banks are among the approximately 10% of companies *not* controlled by families. As a result, lenders are generally well governed and will consequently have less to gain from the country's regulatory overhaul.

We have completely exited our position in KB Financial, for example. The Seoul-based financial group has a shareholder-friendly management team. But the group faces capital constraints that could restrict the additional return of capital to shareholders (beyond what it has already pledged), which could limit further gains.

We have used some of the cash raised from cutting our South Korean exposure to buy additional positions in China and Thailand, where we have found several new attractively-priced opportunities.

Many of the companies that we have added meet the MSCI definition of 'quality' stocks and are supported by attributes such as consistent and stable earnings growth, low leverage and high return on equity.

Quality – as defined by MSCI – was (together with its cousin 'Low Volatility') perhaps the worst performing global 'factor' in 2025. We expect a reversal of this trend, particularly among stocks we bought last year (as they were valuation-led additions).[7]

The 'quality' stocks we have bought that fit this criteria include: CP All, which operates 7-Eleven convenience stores across Thailand; China Mengniu Dairy, one of China's two largest dairies and a previous holding that has subsequently declined in price; and Pigeon, an Asia-wide seller of baby-care products. All three of these companies have seen meaningful de-ratings.

In terms of our remaining South Korean holdings, we are comfortable that they all still represent good price-to-value propositions – even after the soaraway stock price rises that took place last year.

We have maintained a large position in Samsung Electronics (Samsung), for example, one of the world's leading memory makers. The company is cash rich, and trades on a price-to-book multiple of 1.8 times. Although this valuation is above its own long-term average of 1.5 times, Samsung represents perhaps the cheapest large-cap global AI play.

Samsung's earnings are forecast to increase sharply this year, driven by a rise in 'commodity' memory prices (rather than any unique success Samsung has had in developing AI chips).

The company's earnings growth expectations for 2026 leave it on a forward price-to-earnings multiple of a mere 7 times.

Samsung looks particularly cheap relative to key competitors Hynix (4.7 times book), US-listed Micron (5.4 times book), and logic chipmaker, Taiwan Semiconductor Manufacturing (8.2 times book).

Of course, any time stocks rise as quickly and as high as South Korea's, there is always the risk of a market pullback.

[7] Many 'Quality' stocks globally have only de-rated relative to recent very high valuation levels following multi-year re-ratings and are not yet at price levels that we consider attractive.

(Please note we have referred to book value when comparing stock valuations as we consider this a more stable measure of long-term earnings-generating capacity than earnings themselves).[8]

We have additional exposure to Samsung Electronics via other companies in the Samsung control structure: Samsung Life (Life) and Samsung Fire and Marine (F&M), which each hold large stakes in Samsung.

Life, South Korea's largest long-term assurance company, is cheap at 0.7 times book. It might be required to sell some of its stake in Samsung because of investment concentration risk following a change in the way it is required to value its holding (following a revision to the Insurance Business Act).

If Life is required to sell, Life's shareholders would likely enjoy a substantial special dividend. In addition, Life is a key holder in F&M, South Korea's largest general insurance company. If F&M cancels its own treasury stock (as it's likely to be required by new regulations), F&M will become an associate of Life, boosting Life's headline earnings as F&M's earnings will need to be equity accounted by Life.

F&M trades at around book value and on a dividend yield of almost 4%. It has several potential growth catalysts in its own right. Its largest shareholder is *itself* – not unusual in South Korea. F&M's stake in itself is slightly greater than Life's stake in F&M. If F&M is required to cancel its own treasury stock, the company might cease to be *de facto* controlled by the Samsung controlling family – because Life's stake in F&M, without the cushion of F&M's stake in itself, will not be enough for Life (and thus the Samsung controlling family) to retain de facto control over F&M.

While the final outcome of any such change cannot be predicted with a high level of certainty, we believe that shareholders throughout the Samsung group will benefit as the various boards become more accountable to non-family shareholders. The change for F&M will potentially be stark as it becomes a virtual standalone company, potentially no longer forming part of the Samsung control structure at all but still holding a stake in Samsung, which a more independent board might conclude is an inappropriately large holding and should be sold. If this were to happen, it is likely F&M shareholders would benefit.

There is a bigger point here. A high rate of inheritance tax over many years has rendered the control of many South Korean companies tenuous as stock has needed to be sold down by successive generations to satisfy tax obligations.[9] In many cases, family control can only be secured by circular ownership structures, holding companies, the use of non-voting preference shares and stock held in treasury (which *de facto* remains under the control of the relevant family because it is available to be on-sold to friendly parties). The requirement that treasury stock be cancelled, if fully implemented as we expect, would strain and challenge the control structures of some of the largest *chaebols*[10] further. It could mark a sea change in South Korea, where the largest companies have long been controlled by a handful of families, who have used their control and resultant power to influence policy to personal advantage.

Other large South Korean positions we hold include Youngone Corp, an apparel maker trading on a price-to-earnings multiple of 7 times; and large bank Shinhan Financial, trading on a price-to-earnings multiple of 8 times and price-to-book multiple of 0.6 times – the bank recently, as part of an improving governance culture and consistent with the other large South Korean banks, changed its strategy to prioritise return on equity over growth.

We also hold stockbroker, Korea Investment Holdings, which trades on a mid-single digit price-to-earnings multiple, and looks set to continue to benefit from higher retail equity trading volumes. Moreover, a new stock exchange, Nextrade, has encouraged trading activity, while the country's main bourse plans to extend trading hours, further boosting its prospects.

In addition, we hold cyclical chemical companies, Lotte Fine Chemical and Kumho Petrochemical; both have been left behind by South Korea's stock market rally, but we believe earnings at both may soon rebound.[11] Kumho was the subject of a shareholder dispute a few years ago, and its control has been the subject of contention. In light of the new fiduciary duty law, and a likely mandatory offer law, any challenge to control could be beneficial for minority shareholders.

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[8] Valuation data as at 31 December 2025. Source: Bloomberg, Federated Hermes estimates. This is not a recommendation to buy or sell any security and the Strategy may hold or be buying or selling some or all of the securities mentioned.

[9] An irony is that, although we have consistently argued that a high inheritance tax rate incentivizes companies to keep stock prices low, over time, a high inheritance tax rate will eventually free companies of their control structure as stakes need to be sold down to pay taxes. It could thus be reasonably counter-argued that high inheritance taxes only hurt stock prices for another generation or two and might be positive thereafter because it reduces the number of companies controlled by families over time. A generation or two, however, exceeds even our time horizon.

[10] Chaebol: a large industrial South Korean conglomerate run and controlled by an individual or family.

[11] Valuation data as at 31 December 2025. This is not a recommendation to buy or sell any security and the Strategy may hold or be buying or selling some or all the securities mentioned.

Rolling year performance (%)

	31/12/24 to 31/12/25	31/12/23 to 31/12/24	31/12/22 to 31/12/23	31/12/21 to 31/12/22	31/12/20 to 31/12/21
Strategy	37.41	12.11	10.01	-10.05	7.85

Source: Federated Hermes as at 31 December 2025. Composite inception date: 1 January 2010. Returns are in USD gross of fees. The information shown is supplemental to the GIPS® compliant composite report provided in the Appendix. **Past performance is not a reliable indicator of future results.**

Schedule of Rates of Return and Statistics

Composite: **Federated Hermes Emerging Markets Asia IMI Equity**
Index: **MSCI AC Asia ex Japan IMI (net)**
Periods Ending: **31 Dec 25**

	Returns (%)		
	Composite Gross Return	Benchmark	Composite Net Return
Q4 25	2.62	3.85	-1.24
1 Year	37.41	30.22	7.19
3 Years (Annlzd)	19.22	16.06	3.16
5 Years (Annlzd)	10.46	4.21	6.25
10 Years (Annlzd)	10.95	8.40	2.56
Jan-10 – Dec-25 (Annlzd)^^	12.05	6.19	5.86

	Annualised Returns (%)								
	Composite Gross Return	Composite Net Return	Benchmark Return	*Composite 3-Yr Std Dev	*Benchmark 3-Yr Std Dev	Number of Portfolios	**Dispersion	Composite Assets (mil)	Firm Assets (bil)
2015	1.41	0.29	-8.35	14.14	13.00	5	N/A	2,066.3	28.0
2016	8.25	7.06	4.21	14.91	14.62	5	N/A	2,944.3	28.9
2017	45.74	44.13	40.54	15.23	14.66	5	4.52	4,807.8	34.5
2018	-14.45	-15.39	-14.93	15.02	14.43	7	0.34	4,391.7	32.0
2019	13.88	12.62	16.91	15.00	14.36	7	2.15	4,338.3	40.2
2020	11.91	10.68	25.13	19.52	18.81	6	0.98	3,220.7	585.7
2021	7.85	6.67	-2.05	17.86	17.16	7	0.45	3,713.0	634.2
2022	-10.05	-11.04	-19.76	20.94	20.52	7	0.54	3,738.5	627.4
2023	10.01	8.80	8.01	18.22	18.11	8	1.41	4,956.3	720.0
2024	12.11	11.07	11.16	19.38	18.68	6	0.87	3,797.1	792.2

^^ Represents composite inception period. See below for additional notes to the schedule of rates of return and statistics.
* Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.
** Standard deviation is calculated using gross returns. Standard deviation is not applicable (N/A) for any period if fewer than five accounts are in the composite for that period. (See footnote 5)

The composite includes all discretionary portfolios following the Emerging Markets Asia Equity strategy run by the Federated Hermes Asia ex Japan Equity team (London Office) and has an inception date of 1 January 2010. The objective of the strategy is to achieve long-term capital appreciation. From February 2016, the investment process evolved to allow the use of partial hedging where allowed by the investment mandate. The benchmark is the MSCI AC Asia ex Japan IMI (net) Index, which is designed to measure the equity market performance of developing and emerging market countries in Asia excluding Japan and covers all investable market capitalization securities. Prior to December 2012 the benchmark was the MSCI Emerging Asia IMI Index. The benchmark is market-cap weighted and rebalanced on a quarterly basis. The return is calculated on a total return basis net of withholding tax. This composite was created in March 2010. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. Federated Hermes has been independently verified for the period of January 1, 1992, through September 30, 2024. The verification report is available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Since inception the management fee schedule for this strategy was 1% per annum for the first USD 25mln, 0.90% per annum for the next USD 50mln, 0.88% per annum for the next USD 25mln, 0.86% per annum for the next USD 50mln, 0.82% per annum for the next USD 50mln and 0.73% per annum thereafter. As of 1 January 2014, the management fee schedule for this strategy was 0.75% per annum. As of 1 November 2014, the management fee schedule for this strategy is 1.10% per annum. As of 1 July 2024, the management fee schedule for this strategy was 0.75% per annum. Gross of fees returns have been calculated gross of management/custodial fees and net of reclaimable withholding taxes, but after all trading commissions.

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