Global Emerging Markets Equity

Targeting tomorrow's winners

Kunjal Gala,
Head of Global Emerging Markets

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Despite various headwinds, we see compelling opportunities in emerging markets (EM), particularly for quality and growth-oriented investors.

- The world is undergoing a profound transformation that will not be derailed by current macroeconomic or geopolitical turbulence. Over the next five- to ten-years, new winners and losers will emerge, and the composition of leading indices may look very different.
- Our investment approach – characterised by high active share, long-term orientation, and a focus on future-ready businesses – is designed to compound earnings and book value steadily.
- As many index constituents face challenges from leverage, disruption, climate risk, and regulation, we aim to prioritise tomorrow's winners and avoid structurally challenged or overvalued names. The Strategy is particularly focused on companies enabling technological transformation.

Emerging markets (EM) face a challenging backdrop amid uncertain US trade policy, elevated interest rates, and slowing global growth.

The scattergun implementation of tariffs has weakened consumer demand and led companies to delay making key strategic decisions.

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While many of these trade levies may eventually get negotiated down, business confidence has been dampened and, as a result, capital expenditure has been curbed, which has led to a slowdown in job creation.

At the same time, structural concerns in relation to the US economy – a rising fiscal deficit, inflationary pressures and a volatile US Treasury market – have contributed to a weaker US dollar.

Despite these macro headwinds, we see compelling opportunities in EM, particularly for quality and growth-oriented investors.

A number of structural advantages underpin our constructive outlook:

- **Valuation and positioning:** EM equities remain under-owned globally and trade at a meaningful discount relative to developed markets (DM).
- **Domestic demand:** Many emerging economies are supported by robust domestic consumption, have undergone extensive investment in infrastructure, and are experiencing rapid digitisation – all of which represent durable growth drivers.
- **Currency tailwinds:** A weaker US dollar typically supports EM, especially countries which are reliant on foreign financing.
- **Policy strength:** Many EM governments are implementing pragmatic, conservative economic policies and pursuing structural reforms, helping to reduce investor risk premiums.

In our opinion, the world is undergoing a profound transformation that will not be derailed by current macroeconomic or geopolitical turbulence.

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Our investment approach – characterised by high active share, long-term orientation, and a focus on future-ready businesses – is designed to compound earnings and book value steadily.

As many index constituents face challenges from leverage, disruption, climate risk, and regulation, we aim to prioritise tomorrow's winners and avoid structurally challenged or overvalued names.

This environment presents a unique opportunity to invest in high-quality companies with long-term structural growth drivers at reasonable valuations. These businesses are typically more resilient in navigating macroeconomic volatility and are well-positioned to deliver consistent performance (especially as value and cyclical sectors face greater pressure in a less supportive macro backdrop).

Looking ahead, various macro themes reinforce our positive outlook on EM:

- **Growth:** If tariffs persist, global GDP growth could slow by 50-100bps. However, key EM countries and regions – particularly China, India, and Southeast Asia – are still expected to grow at 4-6%[1] annually, supported by structural reforms and fiscal stimulus.
- **Rates:** With inflation largely under control in many EM countries, there is room for rate cuts. In the event US demand weakens, excess export capacity may be redirected to domestic markets, helping to contain inflation.
- **Fiscal capacity:** Select EM countries – including China – retain fiscal firepower to stimulate growth and absorb slack from reduced exports.
- **Strategic shifts:** Over time, EM countries are likely to reduce reliance on the US and focus on building self-sufficiency in critical technologies and resources, fostering new domestic growth engines.

We remain confident that high-quality EM companies with strong fundamentals and exposure to long-term growth themes will continue to deliver value, even in a more complex macroeconomic environment.

The Strategy is exposed to multiple secular drivers that should help mitigate the impact of broader macroeconomic slowdowns and support consistent compounding at the company level. Based on internal estimates:

- The portfolio's expected earnings per share (EPS) growth is approximately 500bps higher than the MSCI Emerging Markets (EM) Index.
- It trades at a reasonable price-to-earnings (P/E) ratio and has a price/earnings to growth (PEG) ratio close to 1.
- Portfolio companies have very little dependency on leverage, yet still generate return on equity (ROE) that exceeds the benchmark.

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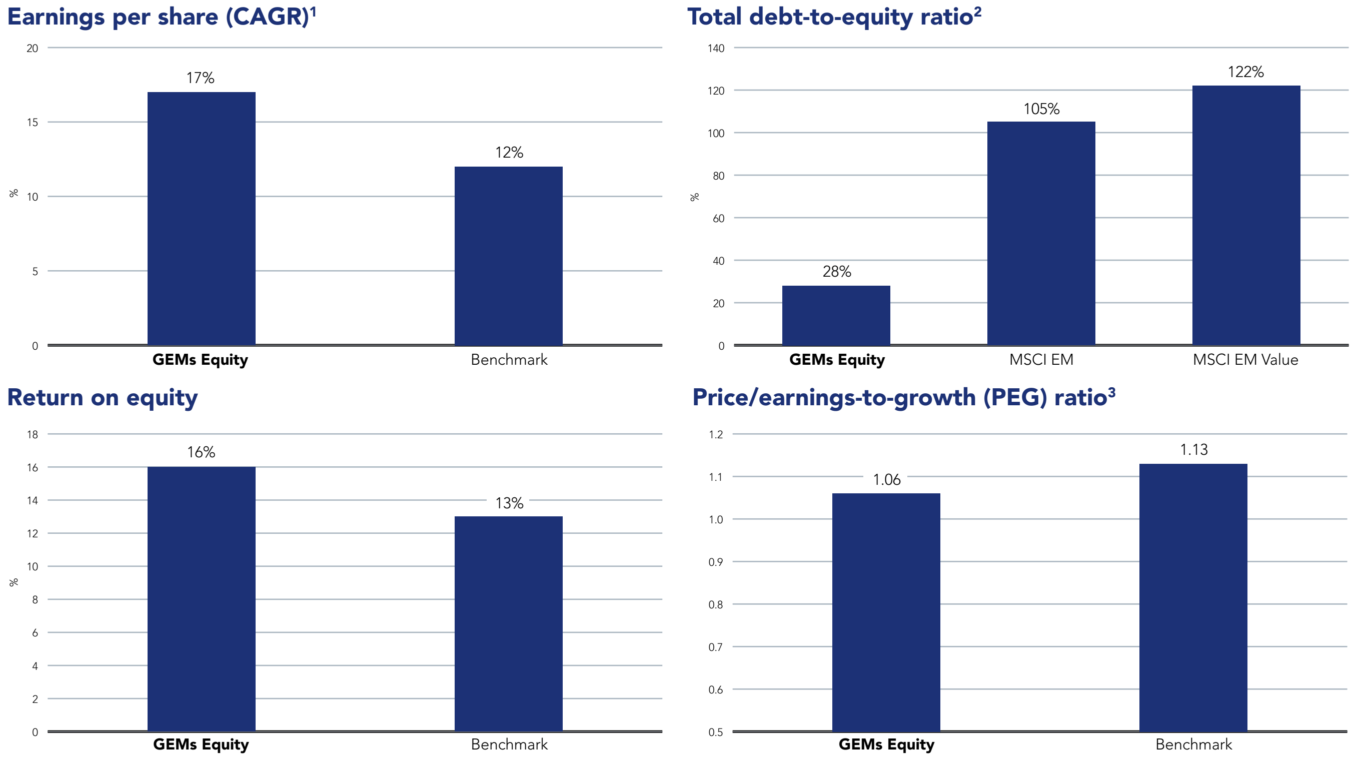
[1] World Bank

Figure 1: Growth and quality at a reasonable valuation

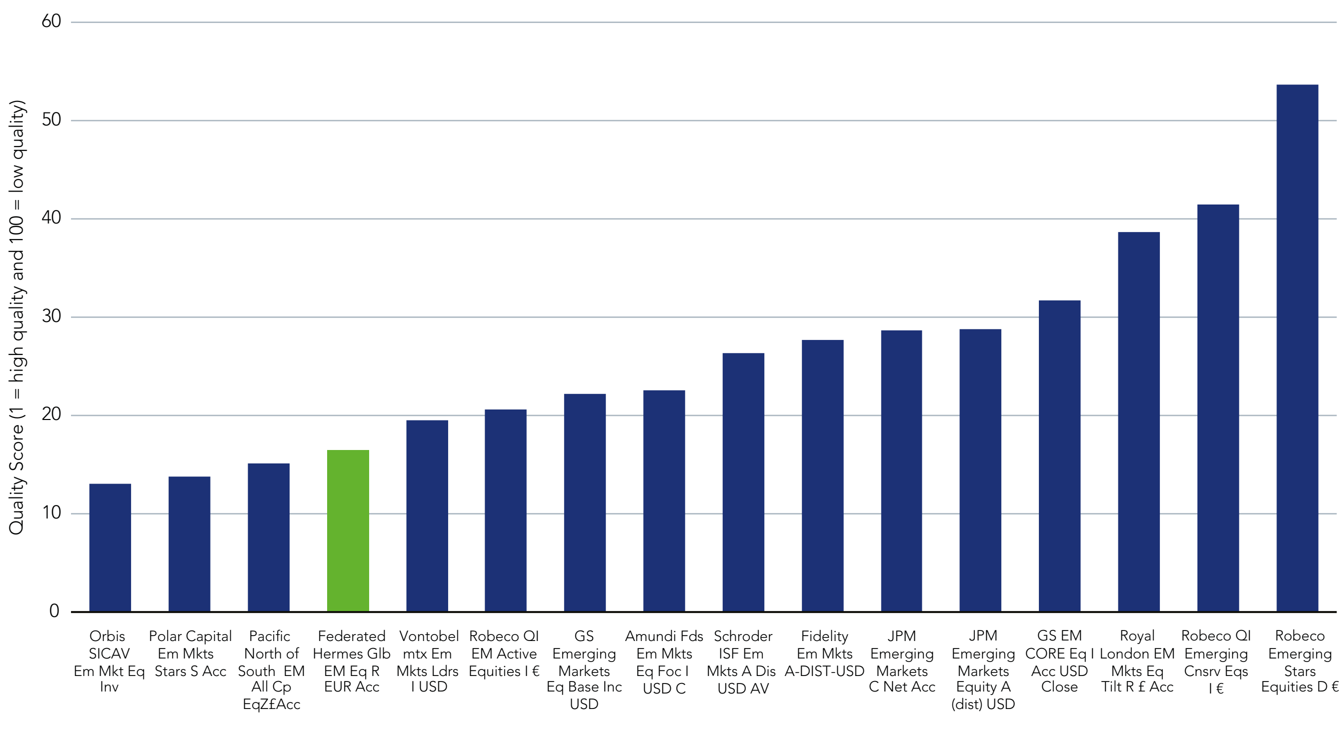


[1] EPS CAGR based on 2024 to 2027 based on consensus estimates. Estimates cannot be guaranteed. [2] Index method applied on current portfolio to compute the P/E. [3] PEG: PEG calculated as 2024 P/E divided by EPS CAGR 2024-27. ROE, Total Debt/Equity are as per last available financials. Benchmark shown is the MSCI Emerging Markets (Net TR). Source: Bloomberg as of July 2025. **Past performance is not a reliable indicator of future results.**

These metrics reflect the presence of high-quality businesses led by strong, disciplined operators.

The Strategy ranks among the top in its peer group for quality characteristics, according to Morningstar.

Figure 2: Higher quality versus peers



Factor Profile – Quality: The quality factor describes the profitability and financial leverage of a company, based on an equally weighted mix of trailing 12-month return on asset and debt-to-capital ratios. A higher exposure to the quality factor indicates a higher quality of the firm within the Standard Factor Model. Key peers defined as the largest 15 UCITS peers by AUM. Source: Morningstar, latest data available as of July 2025. The Global Emerging Markets Fund is shown as a representative portfolio. **Past performance is not a reliable indicator of future results.**

We believe that 'quality' characteristics can help companies navigate uncertain times. Quality companies often outperform during periods of volatility as they are less impacted by cyclical slowdowns and leverage-related issues.

Quality companies are also better positioned to pursue inorganic[2] growth opportunities and consolidate market share, as well as benefit when the market cycle turns positive.

The Strategy has negligible exposure to exporters. The majority of our holdings are in companies driven by domestic growth. Many businesses operate in the service industry, a sector that can be resilient during challenging economic environments.

In contrast to much of the market – which tends to focus on near-term momentum trades – we undertake a lot of research in a bid to discover 'quality' companies trading at extremely reasonable valuation levels in regions that are sometimes ignored.

On a country-by-country basis, it's typical to see returns deviate year on year – for long-term investors, this creates a challenge and an opportunity.

Our approach is to invest through structural growth drivers that have a long-term horizon (for example, greater than five years).

Geographical diversification

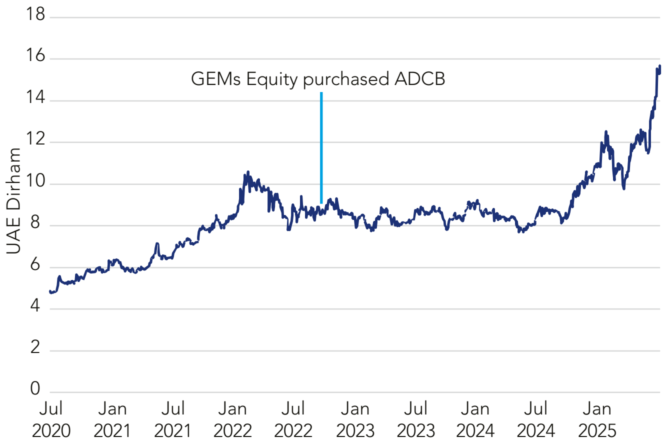
The Strategy maintains broad geographic diversification – with exposure to 18 countries – which has helped mitigate the impact of any near-term tariff-related risks.

Our approach, grounded in deep fundamental research, enables us to identify undervalued and underappreciated businesses across the emerging markets universe.

We believe that fundamentally strong companies with structural growth drivers will ultimately be recognised by the market and deliver long-term alpha.

Our long-term holding in Abu Dhabi Commercial Bank (ADCB), provides a good example of our approach.

Figure 3: ADCB share price



Past performance is not a reliable indicator of future results

Source: Bloomberg as at 28 July 2025

Despite boasting solid fundamentals, ADCB's share price was largely flat from mid-2022 through to Q3 2024.

However, since then – as the wider market acknowledged the strength of its business – ADCB's stock had appreciated significantly from Q4 2024 until YTD 2025 (mid-July).[3]

By avoiding crowded trades, we also reduce the risk of abrupt capital outflow (such as those observed in India since Q4 2024).

GEMs Equity: Exposure to leading EM countries

Country	Position	Rationale
China	Neutral	Focused on China's economic transformation and exposure to strategically-important companies. Limited exposure to state-owned enterprises (SOEs), banks, property and 'old economy' sectors.
Taiwan	Underweight	Overweight tech and underweight non-tech. Most Taiwan tech stocks are reasonably valued and continue to benefit from structural growth drivers.
India	Underweight	Concerns around growth trajectory, earnings momentum, and the pace of reforms. Selective exposure to reasonably valued compounders.
South Korea	Overweight	Positive on corporate governance reforms and Samsung's recovery.
Brazil	Overweight	Exposure to quality companies with structural growth. Rate cut prospects support re-rating.

[2] Inorganic growth in business refers to growth achieved through external methods like mergers, acquisitions, or strategic alliances, rather than through internal operations and expansion.
[3] Bloomberg as at 21 July 2025

China and India

The trade tensions between the US and China need to be put into context. Exports to the US account for less than 3% of China's GDP and consumer products and electronics make up the majority of these exports (it's worth noting that there are limited options outside China to manufacture these products at the same scale and price).

Nonetheless, punitive tariffs will likely negatively impact Chinese exports. However, they will also raise costs for US importers (and potentially US consumers).

China's growth model is also changing. The last few years has seen its economy shift away from an overreliance on property, heavy industry, and low-value manufacturing.

Rising labour costs – and an ageing population – has seen lower-value manufacturing shift to Southeast Asia and Mexico.

China is now focused on high-tech industries such as electric vehicles (EVs), batteries, renewables, robotics, biotech and semiconductors. It has become a global leader in many of these areas.

The last few years has seen China fall out of favour with many investors amid geopolitical upheaval and domestic concerns.

We have always looked at China through a longer-term lens. We have been carefully monitoring its economic transformation and are aware of the dynamic prospects its advanced manufacturing and technology sectors represent.

The lack of investor interest in China in recent years has presented us with attractive entry points to invest in high-quality companies trading at significant discounts to their intrinsic value.

The businesses we have invested in are driven by:

- Innovation
- Operational scale
- Consistent compounding
- Strong free cash flow generation
- Shareholder-friendly capital return strategies
- Reasonable entry valuations.

As a result, the team has favoured China over India in the last few years. We increased our underweight to India in Q1 2024.

Risk concerns can often dominate investment discussions around China. However, many of these risks have already been priced in.

We believe the market has been over-discounting risks in relation to Chinese equities.

In contrast, there is comparatively little discussion about the medium- to long-term risks investors face in India.

In our opinion, the market may be underestimating the challenges India is facing to maintain its current levels of GDP growth – and the commensurate risks to companies' earnings and investors' return on equity (ROE) in the future.

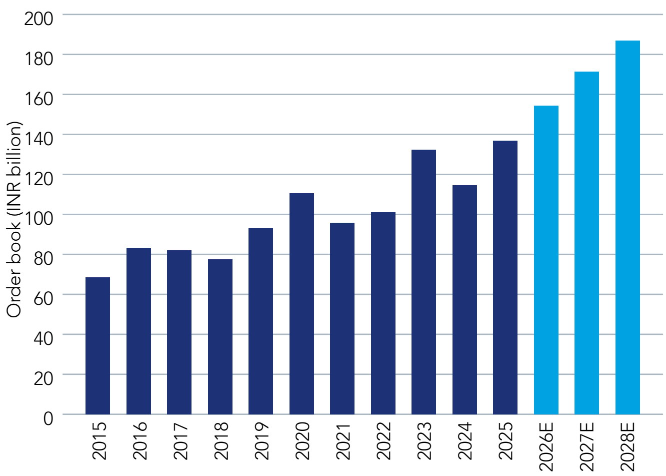
Our view on India is not strongly negative. We acknowledge the country's enormous potential. But we believe that this potential will only be fully realised if policymakers take meaningful steps to address India's many deep-seated structural challenges such as access to education, availability of electricity, climate change risk and water scarcity. At present these issues remain unresolved.

India's average growth rate has been more-or-less range-bound over the last few quarters between 6-7%, which has limited the trickle-down effect and could compound these challenges in the future.

Despite our underweight, we continue to selectively invest in Indian companies that we view as reasonably valued and help address some of the challenges cited above.

One such example is Chennai-headquartered water treatment company VA Tech Wabag. The US$1bn market company is under-researched and under-owned, but it provides essential solutions to India's water and sewage management challenges, including desalination.

Figure 4: VA Tech Wabag's strong order book



Source: Company/MOFSL. Years are financial years (FY)

Beyond China

In addition to China, the Strategy is geographically diversified and has exposure to quality companies in seventeen different countries (including approximately 200bps in gold, which serves as a hedge in uncertain environments.)

At the time of writing, most EM countries have expressed a willingness to negotiate with the US over their trading relationships, offering concessions and reducing tariffs where applicable.

The risk of trade negotiations collapsing has fallen. It is also in the interests of US policymakers to reduce uncertainty – a global stand-off could destabilise the US bond market.

The US government has about US$7tn in debt it needs to refinance in 2025, and further bond market turbulence would present it with an unwelcome challenge.

- **Mexico:** Exports to the US account for approximately 20-25% of Mexico's GDP. Mexico is strategically important to the US auto sector and has been excluded from reciprocal tariffs. There is speculation that the United States-Mexico-Canada Agreement (USMCA) will be re-negotiated before 2026, increasing the percentage of USMCA-compliant exports (beyond the current 80%).
- **Taiwan/South Korea:** Like Mexico, Taiwan and South Korea have a high dependence on exports to the US. Both economies are strategic suppliers of semiconductors to the US fabless industry,[4] with no comparable global or American alternatives. Micron (a US-based memory chip maker with facilities in Asia) has already announced that it will pass tariff hikes to customers.
- **India:** While US-India trade negotiations are not going well, India has a very low dependence on exports and is a service-driven domestic economy. India is also not dependent on the US for defence.
- **Brazil:** South America's largest country – particularly its agricultural commodities sector – could be a major beneficiary if China procures less from the US and more from Brazil. We own Brazil's largest agricultural commodities transportation company in our portfolio.
- **Southeast Asia:** The region is caught in the crossfire between the US and China, and Washington does not want to leave any doors open for re-routing Chinese exports to the US. Individually, the Southeast Asian economies have smaller domestic markets and they will look to alleviate concerns around trans-shipment with the US administration.

Industrials, infrastructure, and the AI shift

The Strategy maintains a significantly higher allocation to industrials relative to the benchmark, with a strong emphasis on electrification (particularly grid infrastructure), urban mobility, logistics and transportation, and industrial automation. These sectors are poised to play a vital role in the future on the back of three global megatrends: technological transformation (driven by AI), the energy transition (driven by climate change), and demographic shifts (as populations age).

Since the second half of 2024, our focus has evolved from AI enablers to AI adopters.

While AI continues to capture headlines, we believe its full potential cannot be realised without substantial investment in enabling infrastructure, especially the power grid. Similarly, the energy transition will be difficult to achieve without modernising and expanding grid capacity.

Since the second half of 2024, our focus has evolved from AI enablers to AI adopters. We reduced our exposure to Taiwan, reflecting concerns about the pace of AI data centre buildouts and the cautious enterprise adoption of generative AI (GenAI).

Instead, we favour segments of the supply chain beyond Nvidia, in particular, application-specific integrated circuits (ASICs), which are better suited for the inferencing phase of AI.

Our portfolio reflects this strategic shift. While we retain exposure to key enablers such as TSMC, Wiwynn, Lotes, Delta, Accton, and ASMPT, we are increasingly allocating capital to companies driving GenAI adoption. We believe these businesses are well-positioned to create long-term value by leveraging AI to streamline their operations and enhance profitability.

We remain excited about the prospects of businesses offering technology-based products and solutions. About 50% of the Strategy is invested in IP-rich companies across AI infrastructure (microchips, servers, liquid cooling, networking, and Agentic AI software) and industrial technologies (factory automation, grid digitisation, EV battery tech, energy storage systems, and autonomous driving), as well as providers of AI data centres and information and communications technologies (see Figure 5). This positions the Strategy to benefit from the tectonic shifts reshaping the global economy. Our portfolio companies are not only aligned with these megatrends but are also actively enabling the transition.

Figure 5: GEMs Equity exposure to select IP-rich businesses

Holding	Country of Domicile	Category	Speciality
Accton Technology	Taiwan	Networking/AI	Accton is a key player in the AI infrastructure industry leveraging its strengths in high performance networking and switch design.
Advanced Info Service	Thailand	Cloud/digital	AIS is a leading telecommunications group in Thailand. In addition to its 5G ecosystem, AIS is playing a key role in the digitisation of the Thai economy via its expertise in hyperscale cloud, AI transformation, and digital solutions for enterprises.
Airtac International Group	Taiwan	Industrial automation	Airtac is a leading player in the Chinese industrial automation industry with its leadership in pneumatic components with a very high level of backward integration capability (80% of the parts manufactured in-house).
ASMPT	Singapore	AI – advanced packaging	ASMPT is one of few companies in the world that offers comprehensive portfolio of solutions for microchip interconnection, microchip assembly and packaging. ASMPT is a key player in AI infrastructure with its Advanced Packaging solution capability.
Contemporary Amperex Technology	China	EV battery/energy storage	CATL is a global leader in lithium iron phosphate (LFP) EV battery technologies and is playing a key role in the electrification of automobiles in China and Europe.

[4] Fabless industry refers to companies that design and sell semiconductor chips but do not own or operate the factories (fabs) where those chips are manufactured. Instead, they outsource their chip production to specialised manufacturing facilities called foundries.

Holding	Country of Domicile	Category	Speciality
Delta Electronics	Taiwan	AI – server power supply/cooling	Delta is a global leader in power electronics and is a key player in AI infrastructure industry leveraging its expertise in AI server power supply, power management and liquid cooling.
Infosys	India	Digital/cloud/AI	Infosys has strong domain knowledge of global enterprise processes and software landscape. In addition, Infosys has strong capability in AI, machine learning, digital technologies, cloud, and augmented reality.
Lotes	Taiwan	CPU sockets	Lotes is a global top three supplier of CPU sockets focusing on servers, PC, automotives, industrial and medical applications. The company benefits from technology migration and potentially from Nvidia's GB300 GPU socket design.
NARI Technology	China	Grid modernisation	NARI is a market leader in grid automation, digitisation industry in China and is increasingly participating in overseas tenders for power equipment.
Samsung Electronics	South Korea	Memory	Samsung is a global leader in memory (DRAM/NAND) as well as global number two in semi foundry business. Samsung has in-house capability for customers looking for vertically-integrated microchip solutions (memory + logic + packaging) and is progressing in the development of advanced high bandwidth memory solution for AI applications.
Shenzhen Inovance Technology	China	Industrial automation/ robotics	Inovance is one of the top suppliers of industrial automation solutions to a diverse range of industries. Inovance is a leader in most categories and a beneficiary of developments in humaniods in the future
Silergy	China	Power management microchips	Silergy is a key player in the Chinese power management microchip industry with its industry leading technology (smaller size, higher efficiency and intelligence). Silergy benefits from its innovative virtual IDM (integrated device manufacturer) model with proprietary microchip design, manufacturing and packaging technology.
Taiwan Semiconductor Manufacturing	Taiwan	Foundry/AI microchips	TSMC is a leading foundry in the world with an unparalled capability in manufacturing chips at advanced nodes. TSMC is a key beneficiary of trends in advanced computing including AI.
Tencent Holdings	China	Super app – Agentic AI	Tencent is a major developer of games globally, runs the largest social media platform in China and a key beneficiary of developments in Agentic AI.
WEG	Brazil	Electrical components/ motors	WEG is one of the manufacturing success stories from Brazil operating the largest industrial plant for electric motors in the world. WEG is strategically positioned in electronic equipment (motors, drivers, controls), and energy generation, transmission & distribution sectors (transformers, substations).
Wiwynn	Taiwan	Servers/AI	Wiwynn is a key supplier of servers used by hyperscalers. Wiwynn is a key supplier of AI servers mainly ASIC with AI servers accounting for approx. 40% of its total revenue. Wiwynn offers two phase immersion and direct liquid cooling systems used by clients such as Microsoft to boost energy efficiency. Wiwynn has showcased AI servers with Nvidia's GB300 platform and is benefitting from ramp in AI servers on the GB200 platform.
Wuxi Lead Intelligent Equipment	China	EV battery equipment	Wuxi Lead is a leading supplier of EV battery equipment and has recently delivered solid state battery equipment to a client showcasing capability in supplying total equipment solutions.

The rise of AI presents multiple avenues for value creation. We've already seen the rapid ascent of leaders like Nvidia, TSMC, and other US and Asian semiconductor and cloud computing firms.

Nonetheless, enterprise adoption of GenAI remains in its early stages and we expect the current capital expenditure-led buildout phase to moderate over time. GenAI is progressing through the hype cycle that can be typical of transformative technologies.

According to Gartner, GenAI is over the 'peak of inflated expectations' as the business focus shifts towards real-world applications that deliver measurable return on investment (ROI).

> **Beyond enterprise software, GenAI is expected to play a transformative role in the next generation of humanoid and industrial robots**

Beyond enterprise software, GenAI is expected to play a transformative role in the next generation of humanoid and industrial robots, which should enable them to 'learn' from experience and then adapt to different environments.

We also see a lot of potential in select emerging markets, particularly China and India. These countries benefit from large populations, robust data ecosystems, and vibrant domestic tech and start-up sectors, as well as supportive government policy.

Fewer constraints around data privacy and copyright enforcement may further accelerate AI development and deployment. All in all, these factors create fertile ground for innovative AI use cases to scale up.

Conclusion: tomorrow's winners

The uncertain direction of US trade policy and 'higher for longer' interest rates continue to weigh on global economic momentum.

Tariffs have disrupted supply chains and dampened consumer demand. Meanwhile, questions about the independence of the Federal Reserve and fiscal pressures in the US have weakened the US dollar and led to volatility in treasury markets.

The issue of tariffs may eventually fade into background. But as it stands, the global backdrop has been discouraging enterprise investment and hindering job creation.

Despite muted global growth, emerging markets (EM) offer compelling opportunities for quality and growth investors. EM equity positioning remains light, and valuations are attractive relative to developed markets. Many EM countries are supported by robust domestic demand, extensive investment in infrastructure and are in the midst of a digital transformation.

A weaker US dollar should benefit EM countries that have external financing needs, while many governments have implemented prudent macro policies and enacted structural reforms that have helped to reduce risk premiums.

The current environment has created opportunities to invest in high-quality companies, supported by structural growth drivers and pricing power; businesses better equipped to navigate various macro headwinds and compound value over time.

As outlined in this report, the Strategy is particularly focused on companies enabling technological transformation. We believe these companies are well-positioned to benefit from long-term shifts in global productivity and innovation – which should help to future-proof the Strategy for many years to come.

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. Any investments overseas may be affected by currency exchange rates. Past performance is not a reliable indicator of future results and targets are not guaranteed.

Investments in emerging markets tend to be more volatile than those in mature markets and the value of an investment can move sharply down or up.

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