

# Wellington Emerging Markets Research Equity Fund

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## MARKET REVIEW

Emerging markets equities rose slightly in August, with Latin America leading the gains, followed by Europe, the Middle East, and Africa (EMEA) and Asia.

Latin America gained sharply. In Brazil, expectations of solid second-quarter GDP growth along with accelerating inflation increased the odds of higher interest rates and some degree of fiscal austerity. Mexico's central bank cut interest rates by 25 bps, with policymakers warning of the downside risks to economic growth and prolonged weakness in the economy since the end of 2023. The government halted relations with US and Canadian embassies after ambassadors criticized President Andres Manuel Lopez Obrador's proposed judicial reforms.

In EMEA, South African inflation dropped more than forecast to a three-year low of 4.6% in July, firming expectations for an interest-rate cut in September.

In Asia, China's new-home prices rose at a slower pace in August as the property sector continued to struggle despite a slew of stimulus measures. Economic data was mixed, with retail sales rising above expectations in July and industrial production waning faster than forecast. A smaller increase in core inflation continued to fuel concerns about domestic demand and favored further monetary policy easing. Taiwan's government announced an ambitious goal to achieve a trillion-dollar economy by 2028 and annual economic growth of 2.8% – 3.6% for the next four years. India's GDP expanded at a slower-than-expected annual pace of 6.7% in the second quarter, but growth still outpaced other major economies.

The MSCI Emerging Markets Net returned 1.6% over the period. Within the index, 10 out of 11 sectors rose over the month. Health care and communication services were the top performing sectors, while materials and industrials were the bottom performing sectors over the period.

## FUND PERFORMANCE AND ATTRIBUTION

- The fund modestly outperformed the index for the month.
- Strong selection in financials, information technology and communication services was partially offset by selection in energy and industrials. On a market basis, strong stock selection in Taiwan, Brazil and China was partially offset by selection in Colombia, South Korea and Saudi Arabia.
- Within information technology and financials, our top relative contributors were an out of benchmark allocation to ASPEED Technology and an overweight to Banco Bradesco, respectively. Within energy and industrials, our top relative detractors were an out of benchmark allocation to Parex Resources and an overweight to Adani Ports & Special Economic Zone, respectively.
- Shares of ASPEED Technology rose over the period after the fabless integrated circuit design company released first half results where net income came in above estimates. The company also increased revenue guidance for the remainder of the year, citing rising global demand for AI servers as a driver for sales of their baseboard management controllers. Shares of Parex Resources fell after the company said it expects to produce less oil due to underperformance in one of its most important projects. The company also reported second-quarter earnings at the end of July that saw EPS miss consensus estimates.

## FUND POSITIONING AND OUTLOOK

From a market perspective, our largest exposures were India and China and we were least exposed to Russia. We had no exposure to Malaysia and Poland.

## RISKS

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