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## MARKET REVIEW

Emerging markets equities advanced, led by Asia and followed by Europe, the Middle East, and Africa (EMEA). Latin America declined.

In Asia, China skyrocketed after the central bank unveiled a broad package of monetary stimulus in response to the government's mounting concern about slowing economic growth and investor pessimism. Notably, interest rates were sizably cut and the amount of cash that banks must hold in reserves was lowered by 50 bps. Additionally, new measures were unveiled to bolster the beleaguered property sector and support the capital market. In Taiwan, exports surged amid greater demand for electronics. India's GDP is projected to expand at a robust 7.2% pace in fiscal year 2025.

In EMEA, Saudi Arabia will begin to unwind production cuts in an effort to regain its position as the world's leading oil producer, even as lackluster demand pushed oil prices to their lowest level in almost three years. In South Africa, interest rates were cut for the first time in more than four years amid a faster-than-expected decline in inflation.

In Latin America, Brazil's central bank raised interest rates for the first time in two years and signaled the possibility for additional hikes due to fears about the upside risk of inflation. Mexico's relationship with the US and Canada was strained by a controversial bill that threatened judicial independence. The central bank lowered its benchmark interest rate by 25 bps for the second straight month. Peru's interest rates were also reduced by 25 bps, with the economy forecast to grow 3.1% in 2024.

## FUND PERFORMANCE AND ATTRIBUTION

Over the month, the portfolio delivered positive absolute returns and outperformed the MSCI Emerging Market index. Seven out of eight themes delivered positive returns, led by the Digital Connectivity and Energy Efficiency themes, while Smart Data detracted from total returns.

At the issuer level, our top two absolute contributors were ENN Energy and AIA Group, while our top two absolute detractors were Kaspi.kz and Legend Biotech.

Shares of ENN Energy Holdings, one of the largest clean energy distributors in China, rose over the period. The company announced a new buyback program worth up to \$100 million. Shares continued to rise amid a rally in the Chinese stock market following widespread government stimulus measures aimed at strengthening the country's wavering economy. Shares of Kaspi.KZ JSC trended lower during the month after Culper Research published a report in which alleges the company has misled investors about its exposure to Russia. Management issued a statement saying the report was misleading, inaccurate, and a misrepresentation of their business.

## FUND POSITIONING AND OUTLOOK

In terms of positioning, our investment process, which relies on both fundamental inputs as well as proprietary quantitative models, is currently most constructive on Social Empowerment and Digital Connectivity. Both themes are currently exhibiting positive momentum and earnings revision trends relative to historical levels. On the other hand, we are less constructive on Financial Market Deepening and Automation & Robotics where earnings revision trends, profitability and valuation remain challenged.

We have recently witnessed a dramatic shift in the market narrative for Emerging Markets, as the US Federal Reserve cut rates and China announced stimulative monetary and fiscal policy plans. Supported by attractive valuations, this presents an increasingly favourable backdrop for thematic investing in emerging markets and the team is excited by the array of opportunities stemming from structural economic development in the region. We believe that using this focus on economic development as a lens to identify investment opportunities can result in thematic exposures that are less correlated to the broader market, such as renewables, automation and enterprise digitalisation, that will benefit from the long-term structural drivers of change in EM. We believe that our capabilities in identifying diverse thematic opportunities, strong fundamental bottom-up security selection, coupled with our risk-aware portfolio construction methodology will allow us to capitalise on areas of growth within EM.

## RISKS

**CAPITAL:** Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. **CURRENCY:** The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility. **EMERGING MARKETS:** Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks. **EQUITIES:** Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **LIQUIDITY (MKT):** The Fund may invest in securities that are less liquid and may be more difficult to buy or sell in a timely fashion and/or at fair value. **MANAGER:** Investment performance depends on the investment management team and their investment strategies. If the strategies do not perform as expected, if opportunities to implement

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them do not arise, or if the team does not implement its investment strategies successfully; then a fund may underperform or experience losses. **SMALL AND MID-CAP COMPANY:** Small and mid-cap companies' valuations may be more volatile than those of large cap companies. They may also be less liquid. **SUSTAINABILITY:** A Sustainability Risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

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