

# Global Emerging Markets Equity Fund



May 2026 Commentary | ISIN for Class D USD: IE00BGPBQH85

MARKETING COMMUNICATION

## Our investment approach

- Country selection is crucial in EM as excess liquidity moves markets and stock returns by country have a high dispersion
- Stock selection adds value given the market often overlooks structural shifts and underestimates a firm's enduring competitive edge
- A sound investment process must consider the behavioural aspects of managing money

## Portfolio Management Team



**Ian Beattie**

34 years in the industry



**Brian Coffey**

33 years in the industry



**Luis Alves de Lima**

22 years in the industry



**Oliver Adcock**

18 years in the industry

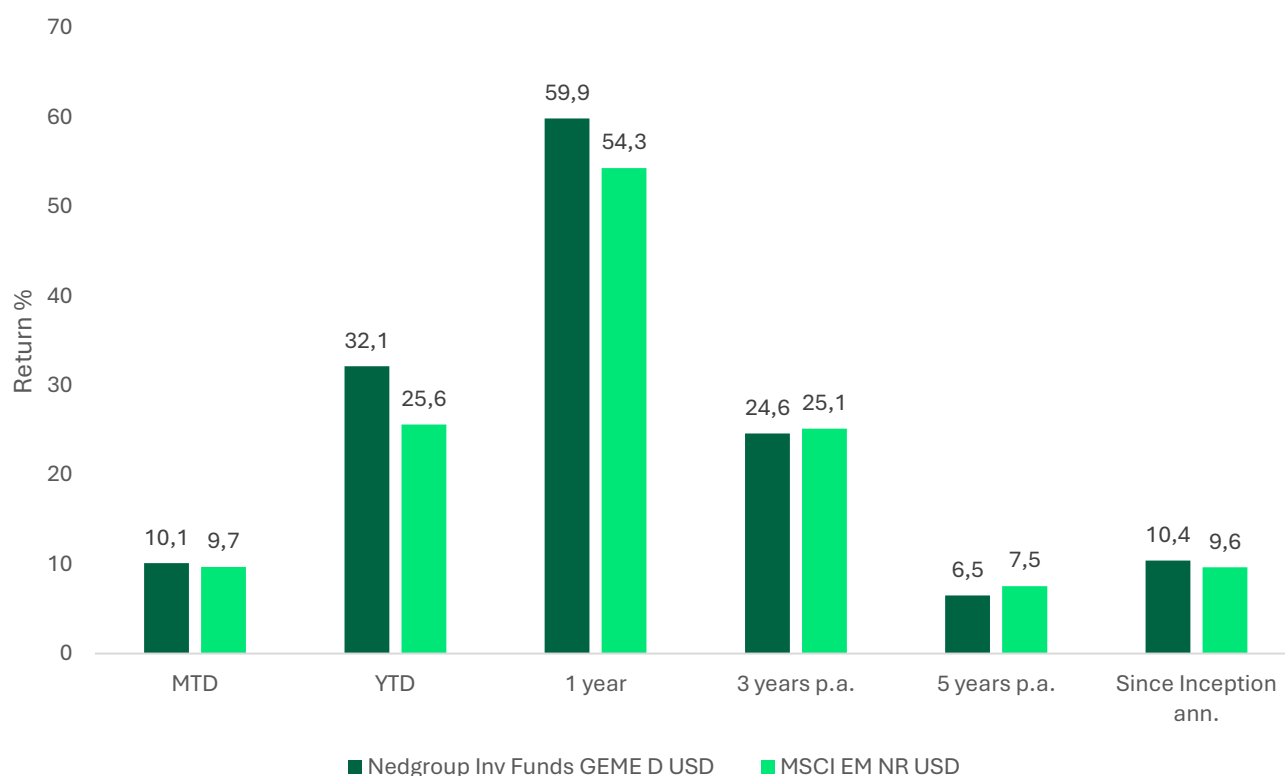


**Mazika Li**

9 years in the industry

## Fund Performance to 31st May 2026

*Past performance is not indicative of future performance and does not predict future returns*



*Class inception date May 2019. Source: Morningstar*

## Market Commentary

Last month we wrote to investors about how the outperformance of EM equities was the product of a very narrow rally driven by a boom in South Korean and Taiwan tech companies. We noted that despite parabolic moves in semiconductor stocks, valuations have actually become cheaper due to a massive acceleration in earnings growth underpinned by rising US hyperscaler investment seeking compute to power frontier AI models.

In the weeks since, tech stocks continued to surge in feverish trading led by leveraged retail investors in South Korea. Jefferies Global Head of Equity Strategies Chris Wood flagged in early April that margin lending in South Korea had doubled from W15.8 trillion at the end of 2024 to an incredible W32.7 trillion this year.

Investors also rushed to gain exposure through passive vehicles including leveraged ETFs, and among GEM managers overweight positioning has been steadily rising since the beginning of 2025.

The acceleration in fundamentals for stocks in the AI supply chain has been so dramatic that it has swamped the broader EM investment universe. The economic drag created by the US-Iran conflict has hit markets with higher sensitivity to rising energy prices. As these markets weather the economic turbulence, AI looks increasingly like the only game in town. In response, many investors have sold down areas hit by these tailwinds to fund larger weightings in AI-exposed names.

This shift in allocation resembles Charlie Munger's Lollapalooza Effect, where extreme, disproportionate outcomes that arise when multiple cognitive biases and incentives converge and reinforce each other simultaneously. In this case, a shift by investors attracted by a sharp acceleration in fundamentals has been magnified by systematic strategies, passives and leverage chasing the momentum. As a result, the IT sector now accounts for over 40% of the benchmark.

Our Chief Economist Simon Ward has been writing about a global monetary squeeze which began in the months leading up to Gulf War III. This was exacerbated by the war sending commodity prices and CPI momentum higher, leading to a slowdown in real money growth.

Nominal money expansion to counteract the liquidity squeeze is unlikely in the near term, with most major central banks now making more hawkish noises in response to price pressures. This means less liquidity support for markets, especially in pockets which have run hard such as semiconductors.

In early June crowded positioning and an itch to take profits collided with rising macro uncertainty arising from the release of strong US payroll data which topped market forecasts, igniting fears the US Federal Reserve would be forced into tightening monetary policy. It is also possible that forthcoming blockbuster IPOs of SpaceX, OpenAI and Anthropic placing a strain on market liquidity further unsettled investors sitting on large gains. This culminated in a sharp selloff on the 5th of June, with winning trades in the tech sector suffering the most.

As noted in last month's commentary, we had been trimming AI exposure into strength on a view that parabolic stock moves would inevitably run into a pullback. We have also been re-allocating within our IT exposure (a modest c.3% overweight as at the end of May), from companies where stock performance risks becoming detached from reality and into niches benefiting from the same demand drivers but where investor enthusiasm has not been so frenzied.

Over the past few years we have worked to sweat our risk budget within the AI-supply chain, tweaking the portfolio as data and conviction changes by rotating through a number of the various underlying segments.

The aim of this activity is to maximise risk adjusted returns by maintaining a healthy exposure to AI supply chain companies but in an allocation that is cheaper, less crowded, more positively skewed and with more independent catalysts than a static allocation to the original winners.

## Key return drivers: May 2026

### Stock Contribution: Top 5 & Bottom 5

| Winners                | Contribution (%) | Losers                    | Contribution (%) |
|------------------------|------------------|---------------------------|------------------|
| TSMC                   | 0,73%            | Asia Vital Components     | -0,79%           |
| Samsung C&T Corp       | 0,49%            | Delta Electronics Inc     | -0,60%           |
| JCET Group Co Ltd-A    | 0,44%            | Samsung Electro-Mechanics | -0,33%           |
| Taiwan Microloops Corp | 0,44%            | Wiwynn Corp               | -0,31%           |
| Sk Hynix Inc           | 0,29%            | Accton Technology Corp    | -0,29%           |

### Sector Contribution

| Sector                 | Security Selection | Sector Allocation | Total  |
|------------------------|--------------------|-------------------|--------|
| Industrials            | 1,44%              | -0,74%            | 0,70%  |
| Consumer Staples       | 0,02%              | 0,34%             | 0,37%  |
| Materials              | -0,13%             | 0,44%             | 0,32%  |
| Consumer Discretionary | -0,21%             | 0,31%             | 0,10%  |
| Communication Services | -0,04%             | 0,08%             | 0,05%  |
| Health Care            | -0,02%             | 0,06%             | 0,04%  |
| Other                  | 0,00%              | 0,03%             | 0,03%  |
| Utilities              | -0,17%             | 0,14%             | -0,03% |
| Cash                   | -0,02%             | -0,10%            | -0,12% |
| Real Estate            | -0,04%             | -0,09%            | -0,12% |
| Energy                 | -0,01%             | -0,21%            | -0,22% |
| Financials             | -0,38%             | -0,04%            | -0,42% |
| Information Technology | -0,56%             | 0,12%             | -0,44% |

### Country Contribution: Top 5 & Bottom 5

| Country              | Security Selection | Country Allocation | Total  |
|----------------------|--------------------|--------------------|--------|
| China                | 0,42%              | 0,56%              | 0,98%  |
| South Korea          | 0,34%              | 0,61%              | 0,95%  |
| Indonesia            | 0,00%              | 0,16%              | 0,16%  |
| South Africa         | 0,03%              | 0,11%              | 0,14%  |
| India                | -0,13%             | 0,25%              | 0,12%  |
| United Arab Emirates | -0,06%             | -0,08%             | -0,15% |
| Argentina            | -0,02%             | -0,24%             | -0,26% |
| Brazil               | -0,09%             | -0,19%             | -0,27% |
| Hong Kong            | -0,08%             | -0,37%             | -0,45% |
| Taiwan               | -0,94%             | -0,03%             | -0,97% |

Source: NS Partners Ltd

## Portfolio Characteristics as at 31<sup>st</sup> May 2026

### Top 10 Holdings

| Stock                      | %      | Stock                         | %     |
|----------------------------|--------|-------------------------------|-------|
| TSMC                       | 10,00% | Tencent Holdings Ltd          | 2,64% |
| Samsung Electronics Co Ltd | 8,43%  | Delta Electronics Inc         | 2,48% |
| Sk Hynix Inc               | 7,96%  | Asia Vital Components         | 2,29% |
| Wiwynn Corp                | 3,46%  | Vista Energy Sab De Cv        | 2,11% |
| Alibaba Group Holding Ltd  | 2,67%  | ASE Technology Holding Co Ltd | 2,04% |

### Sector Allocation

| Sector                 | Portfolio | MSCI EM Index | Variation |
|------------------------|-----------|---------------|-----------|
| Industrials            | 15,06%    | 6,96%         | 8,10%     |
| Real Estate            | 2,09%     | 1,02%         | 1,07%     |
| Energy                 | 4,31%     | 3,34%         | 0,96%     |
| Information Technology | 43,92%    | 43,19%        | 0,72%     |
| Cash                   | 0,56%     | 0,00%         | 0,56%     |
| Financials             | 18,18%    | 17,76%        | 0,42%     |
| Other                  | -0,30%    | 0,00%         | -0,30%    |
| Health Care            | 1,90%     | 2,41%         | -0,51%    |
| Communication Services | 5,42%     | 6,09%         | -0,67%    |
| Utilities              | 0,96%     | 1,94%         | -0,98%    |
| Consumer Staples       | 0,36%     | 2,81%         | -2,46%    |
| Consumer Discretionary | 5,44%     | 8,50%         | -3,05%    |
| Materials              | 2,11%     | 5,97%         | -3,86%    |

### Country Allocation: Top 5 & Bottom 5

| Country      | Portfolio | MSCI EM Index | Variation |
|--------------|-----------|---------------|-----------|
| Hong Kong    | 3,16%     | 0,00%         | 3,16%     |
| South Korea  | 25,52%    | 23,06%        | 2,46%     |
| Argentina    | 2,11%     | 0,00%         | 2,11%     |
| Egypt        | 1,44%     | 0,07%         | 1,37%     |
| Poland       | 1,96%     | 1,04%         | 0,92%     |
| Thailand     | 0,00%     | 0,99%         | -0,99%    |
| South Africa | 1,65%     | 3,04%         | -1,38%    |
| India        | 9,32%     | 10,88%        | -1,56%    |
| Mexico       | 0,00%     | 1,74%         | -1,74%    |
| China        | 16,22%    | 20,36%        | -4,14%    |

Source: NS Partners Ltd

## Attribution and Positioning Summary

May 2026

### What worked:

- Stock picking and underweight China; underweight India, Mexico, GCC, South Africa and Indonesia; stocks and overweight South Korea; underweight Materials, Consumer Discretionary, Consumer Staples and Utilities; stocks in Industrials

### What didn't work:

- Exposure in Argentina and Hong Kong; stocks and overweight in Brazil; stocks in India and Taiwan; UAE exposure; overweight in Industrials and Energy; stocks in Financials, IT and Utilities

### The good:

- **TSMC** – underweight due to UCITS limits, stock underperformed wider tech rally through the period
- **Samsung C&T Corp** – holding company with exposure to a number of core Samsung businesses and trading at a discount which management is working to narrow
- **JCET Group** – leading OSAT provider rallied through May; margins improving on higher contributions from advanced packaging business plus rising capacity expansion

### The bad:

- **Asia Vital Components** – thermal cooling technology specialist reported a small revenue miss for Q1, high expectations after a strong run
- **Delta Electronics** – power and thermal management within data centers; no news, consolidation after strong performance
- **Samsung Electro Mechanics** – not owned in the portfolio, high end multi-layer ceramic capacitor provider rallied 150% during the period

### Changes over the month:

- Added to Brazil, China, India and Taiwan; reduced Malaysia, Peru, Philippines and Korea; added to Industrials, Materials and IT; reduced Consumer Discretionary and Financials.

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