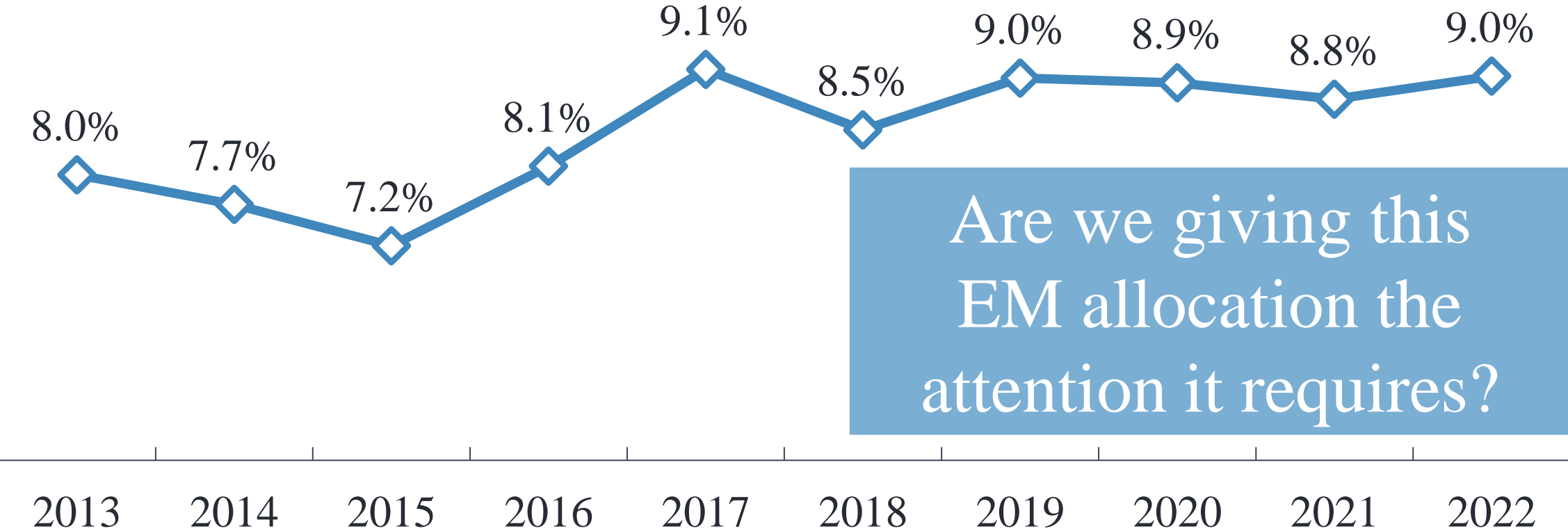




EMERGING MARKETS IN YOUR PORTFOLIO

Steady Growth of Pension Allocations to EM

EM Equity as % of Total Pension Equity



Are we giving this EM allocation the attention it requires?

Source: P&I 1000: Largest U.S. Retirement Funds, P&I Research Center; annual data through Sept. 30, 2022. <https://www.pionline.com/emerging-markets-report23> Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

The Case for Separating Emerging Markets from Your International Allocation

**Too Large,
Diverse &
Complex**

**Opportunities
& Alpha
Potential**

**Pitfalls of a
Combined
Allocation**



**TOO LARGE, DIVERSE
& COMPLEX**

An Impossibly Large International Universe

45 Countries

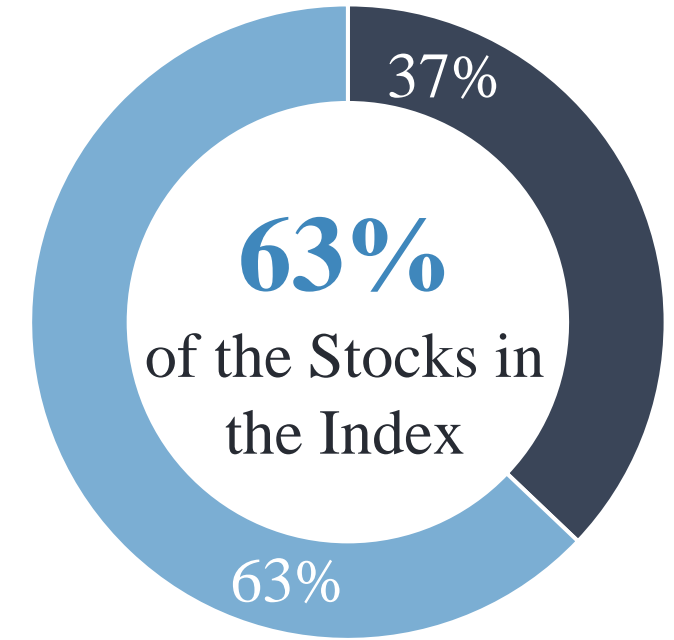
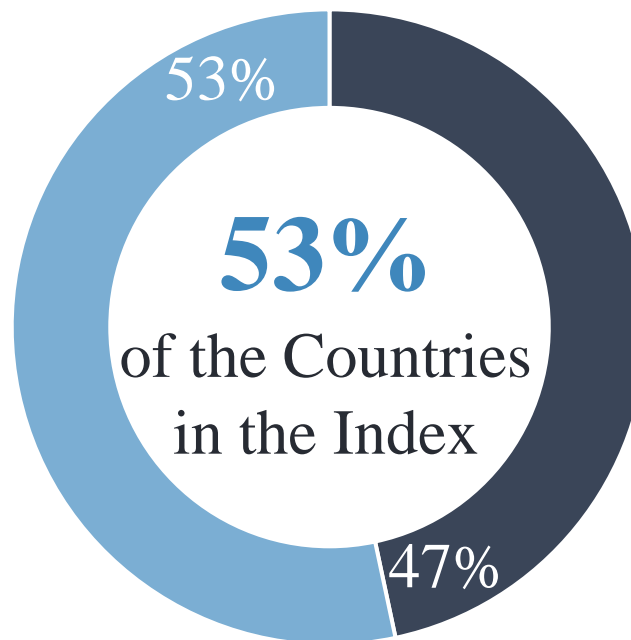
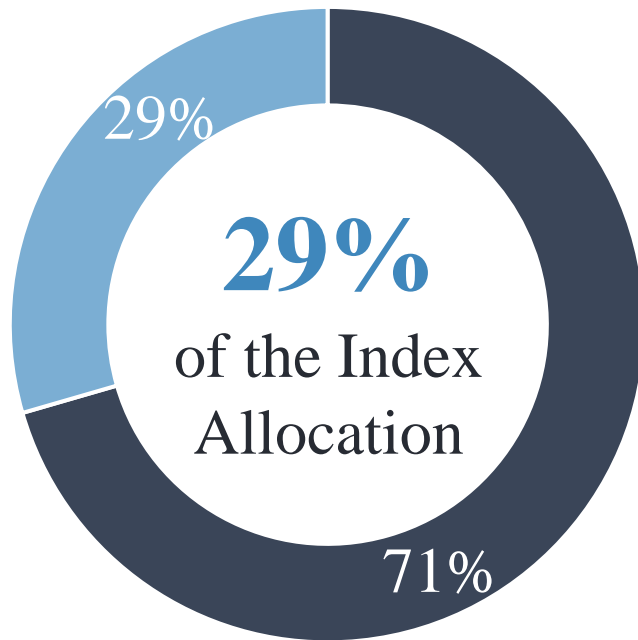
2,156 Stocks in the Index

14,167 Stocks in the Universe

It is possible for even an experienced investor to cover such a large universe in appropriate depth?

Emerging Markets Are Large...

Emerging Markets as a Share of MSCI AC World ex-US Index



■ Emerging Markets

■ Developed Markets ex-US

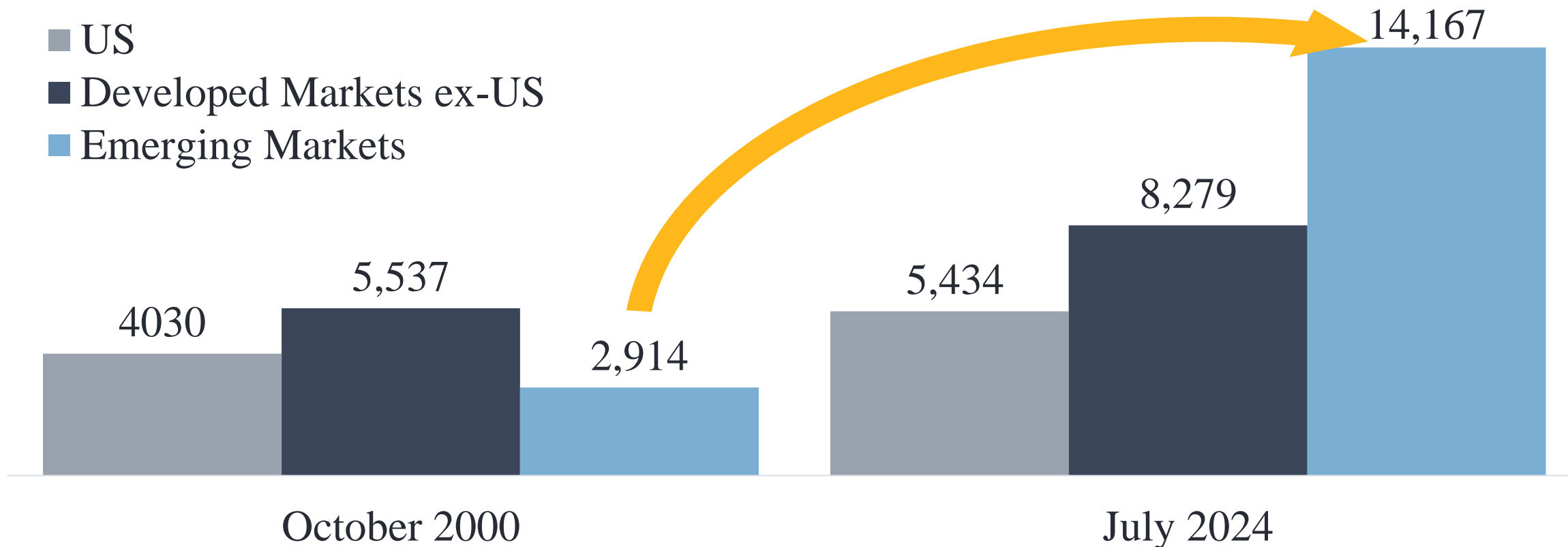
...And Growing

Growth of Emerging Markets in the MSCI AC World ex-US Index



...And Growing

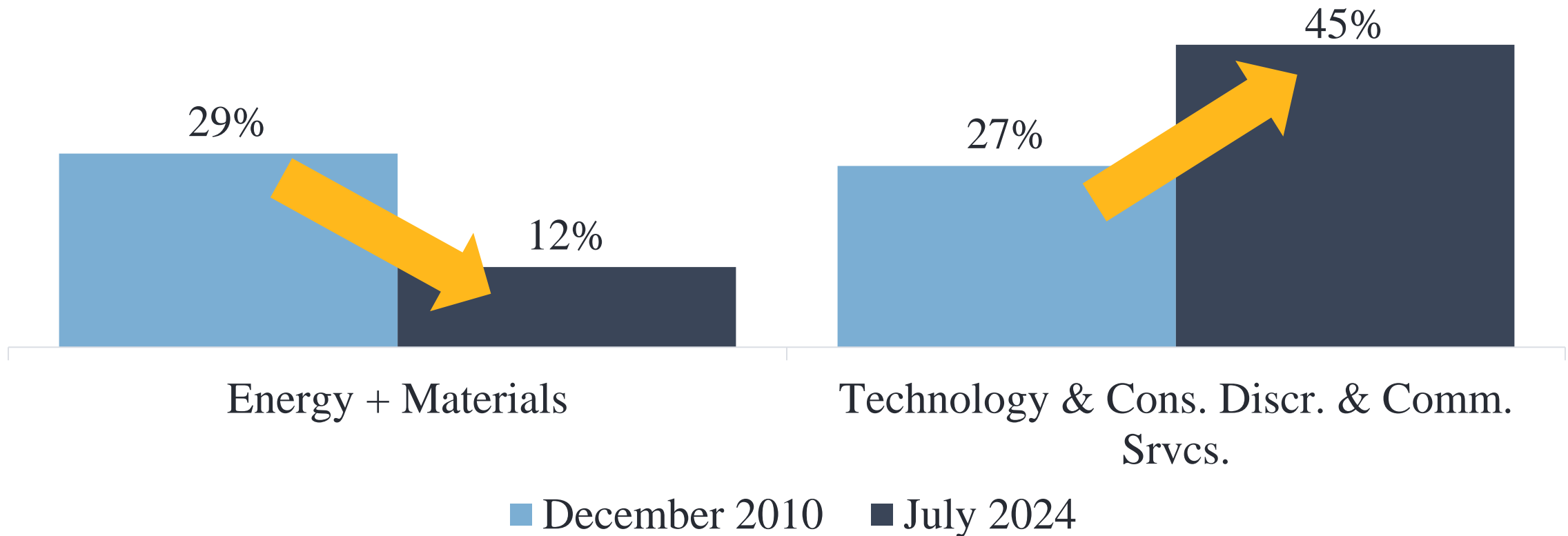
Stock Universe: 2000 vs 2024



Source of October 2000 Data: MSCI, FactSet as of October 31, 2000. Includes all stocks by country with market caps over \$100M as of 10/31/2020. Source of September 2023 Data: MSCI, Bloomberg. Data based on Bloomberg EQS screen that includes all stocks by country with market caps over \$100M as of July 31, 2024. Developed and Emerging Market country definitions based on MSCI classifications. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision. Past performance are not an indicator of future performance.

...And Becoming More Complex

Select Sectors of the MSCI Emerging Markets Index



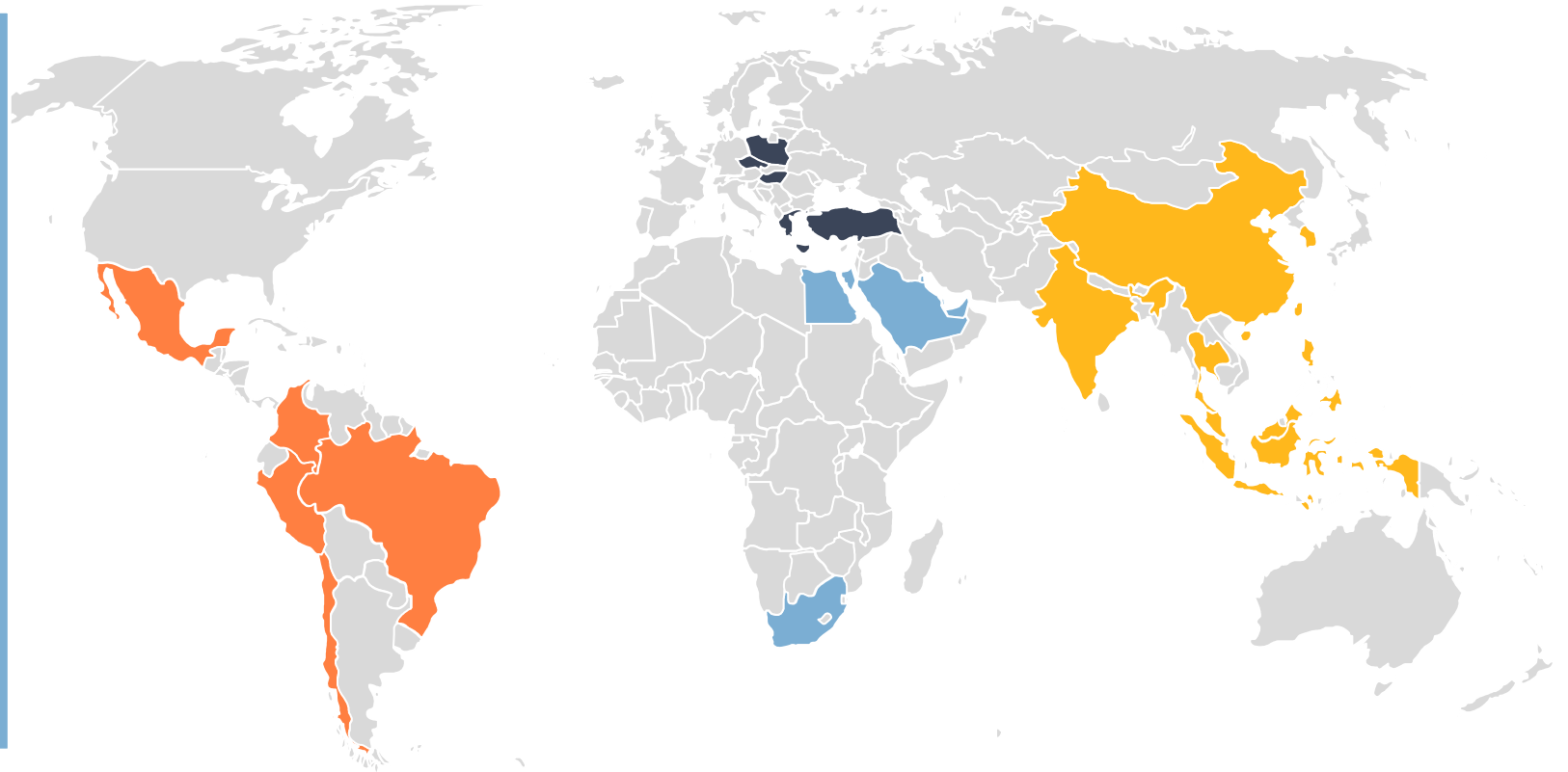
EM is Diverse. No Such Thing as “EM Land”

24 Countries

5 Continents

16 Languages

Each country has its own economic, political and market dynamics





OPPORTUNITIES & ALPHA POTENTIAL

Transformation Creates Opportunities

**Transformation,
Emergence &
Growth**

**Expansion of
Middle Class
and Domestic
Consumption**

**Opportunities
for Businesses**

Reforms Help Along the Way

Indonesia: Transformation of the Grocery Retail Market

Traditional Markets

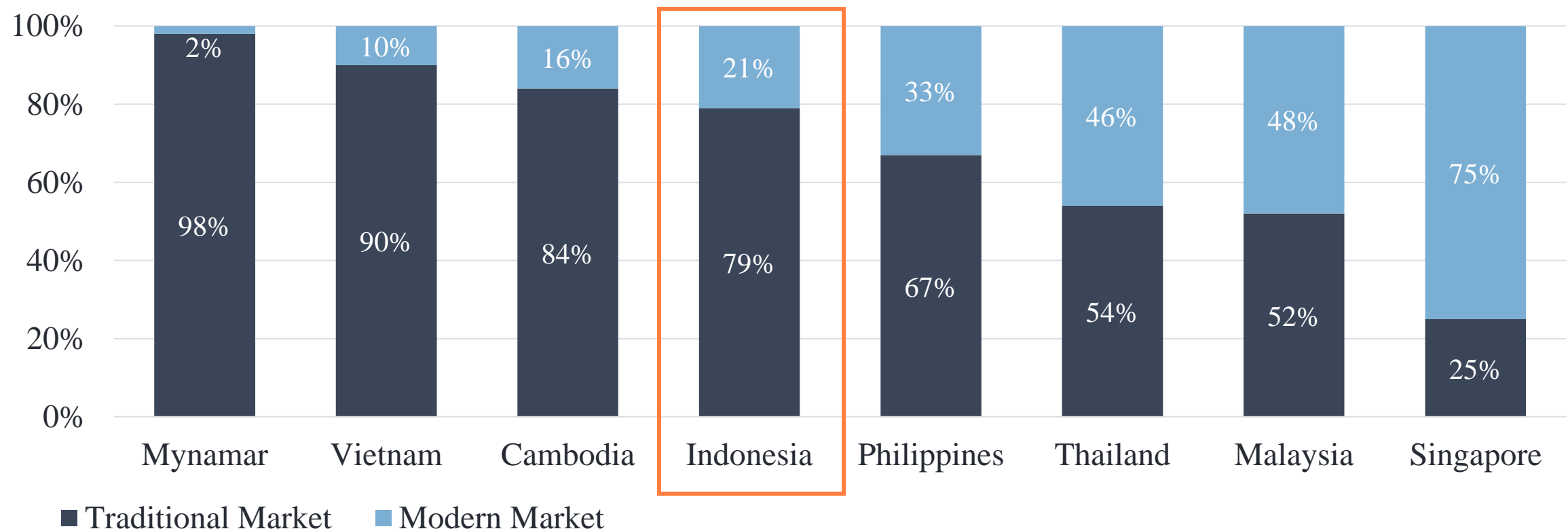


Modern Markets



Indonesia: Transformation of the Grocery Retail Market

Grocery Retail Market by Format



Source: Statista and McKinsey & Company as of December 2022. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

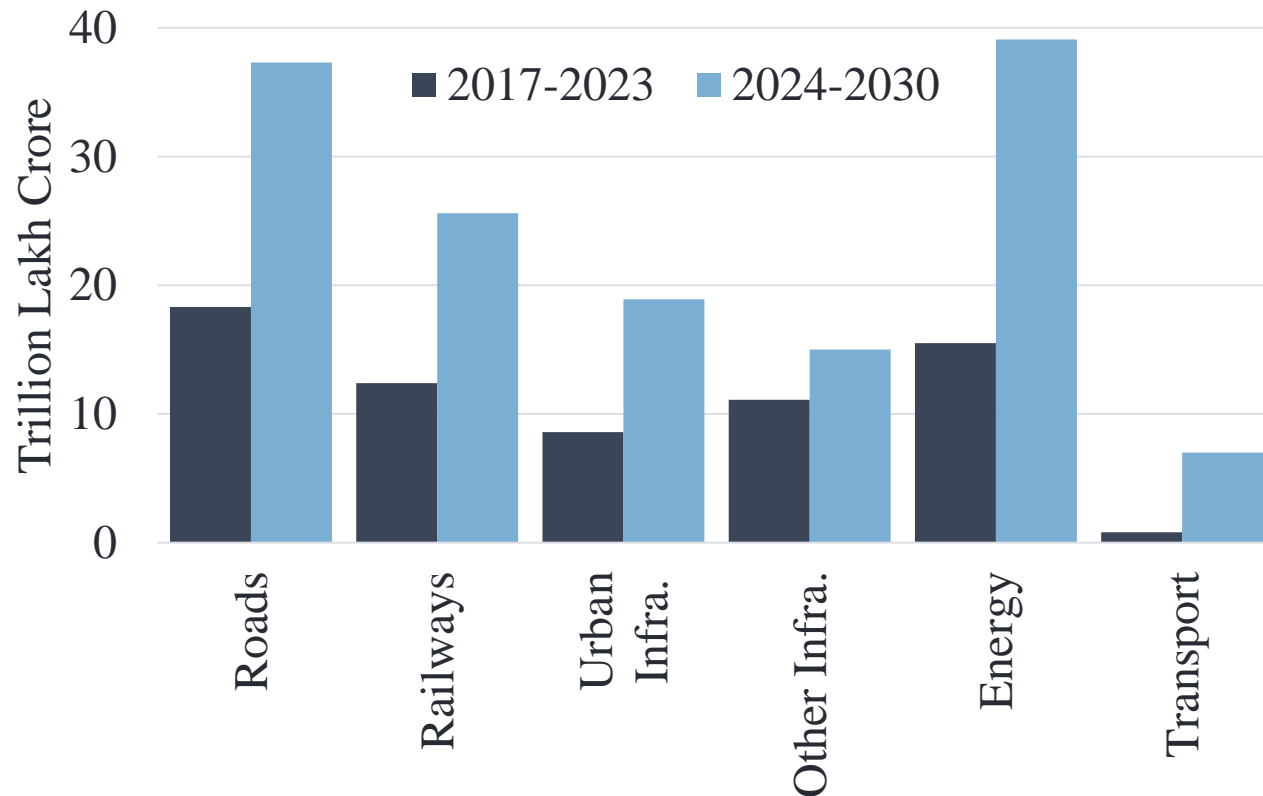
Saudi Arabia: Women Take the Wheel



Saudi Arabia's **2.5 million** female drivers are expected to increase car sales by **9%** per year through 2025

India: Infrastructure Boom

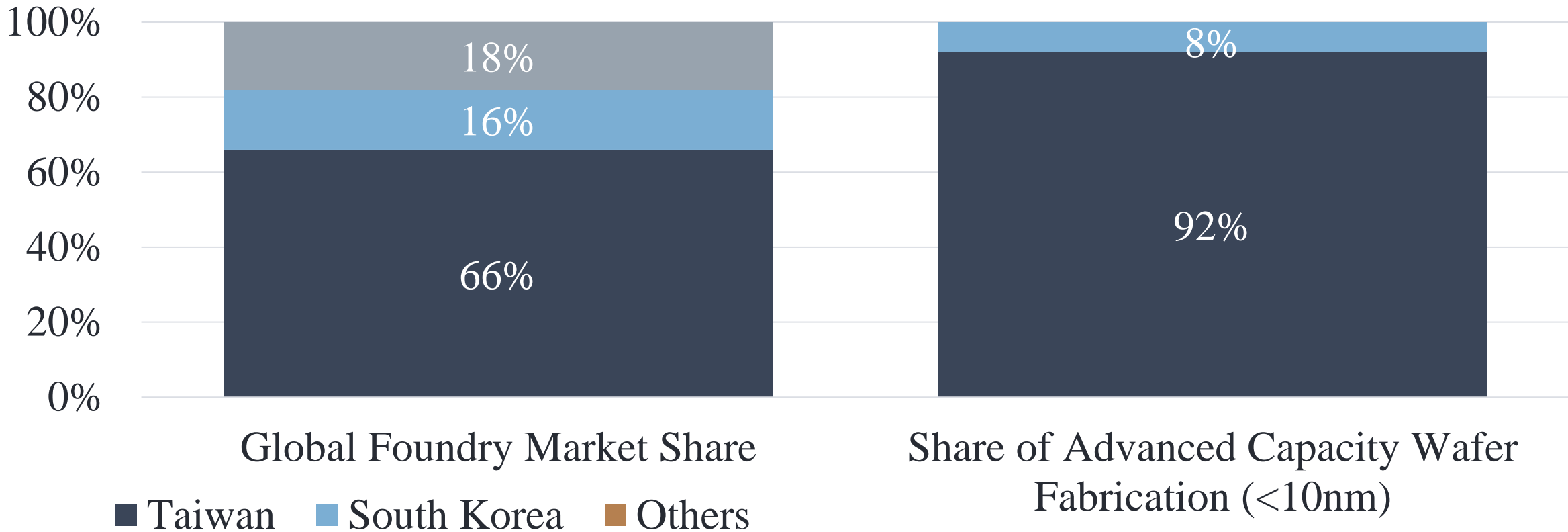
India's Infrastructure Investment



Infrastructure spending to double growing from Rs 66.7 to Rs143 lakh crore

Taiwan: The Center of the AI Ecosystem

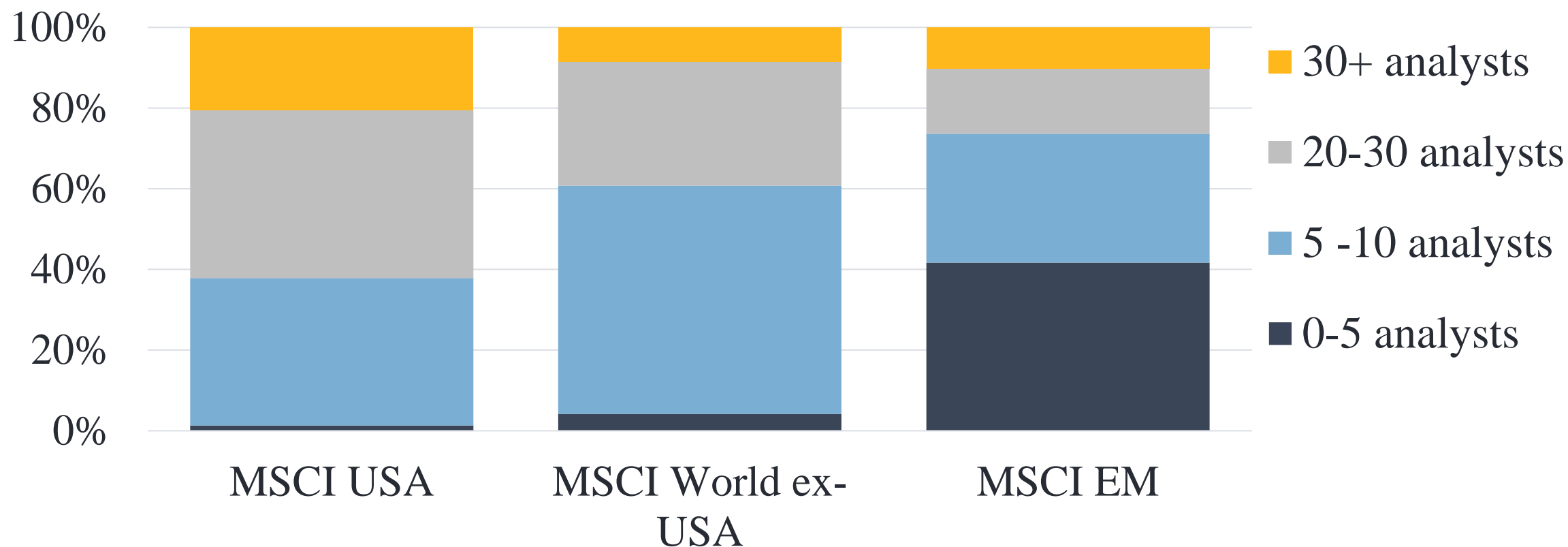
Semiconductor Ecosystem



Source: Semiconductor Industry Association and Grand Alliance Asset Management as of 2019. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision. Past performance is not a guarantee of future results

Market Inefficiency Creates Alpha Opportunities

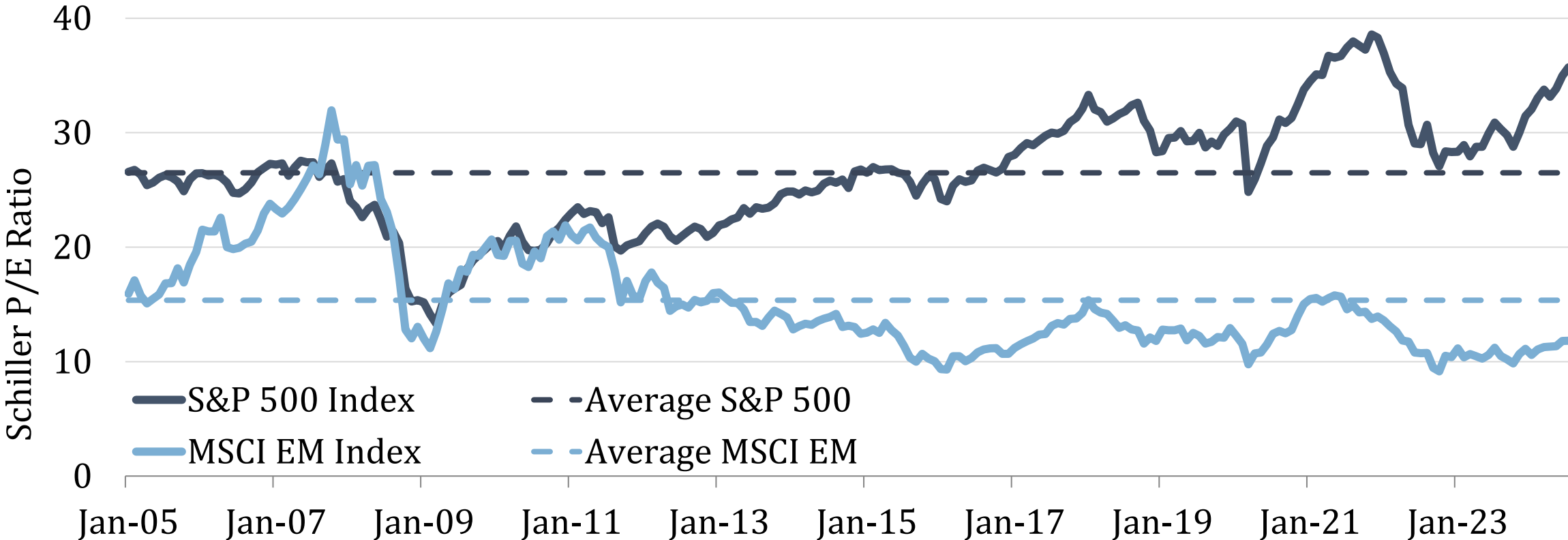
Analyst Coverage Per Stock



Market Cap Weighted Average Analyst Coverage per Stock. Source: Bloomberg and MSCI as of July 31, 2024. Past returns are not a guarantee of future results. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

Valuations Remain Attractive

Shiller P/E Ratio: Emerging Markets vs. Developed Markets



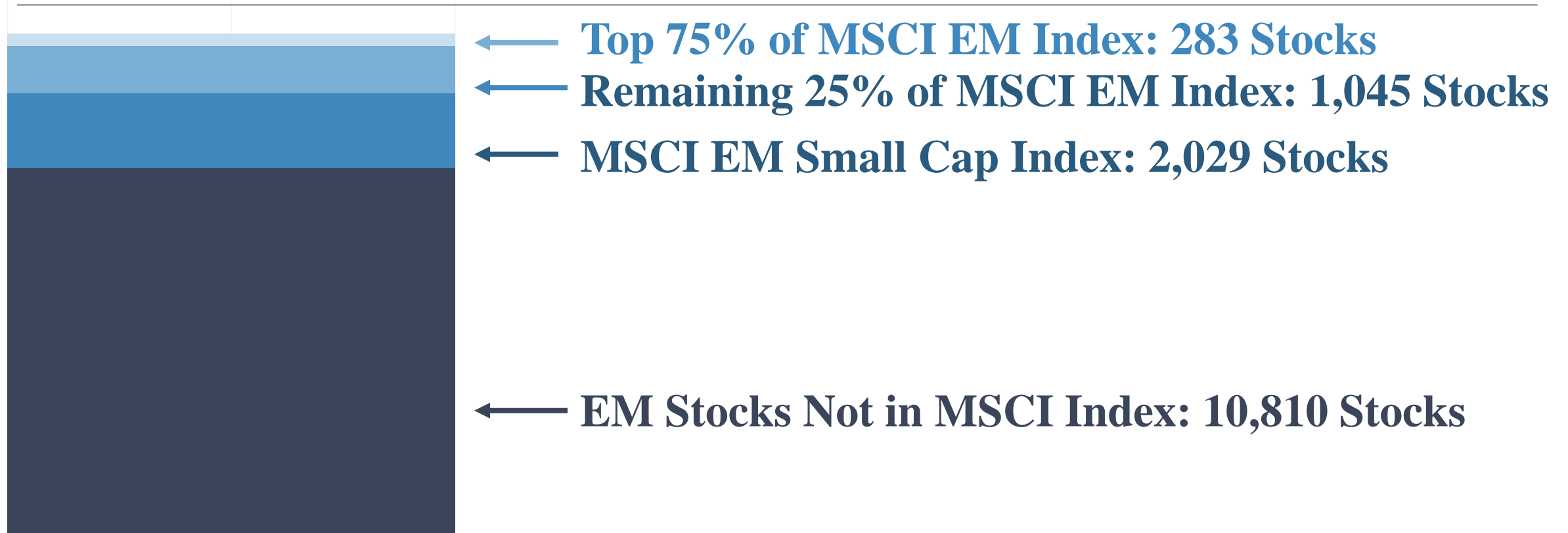
Source: Bloomberg as of July 31 2024. Averages are calculated from Jan 2005 – Jul 2024. Past performance is not an indicator of future performance. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.



PITFALLS OF A COMBINED ALLOCATION

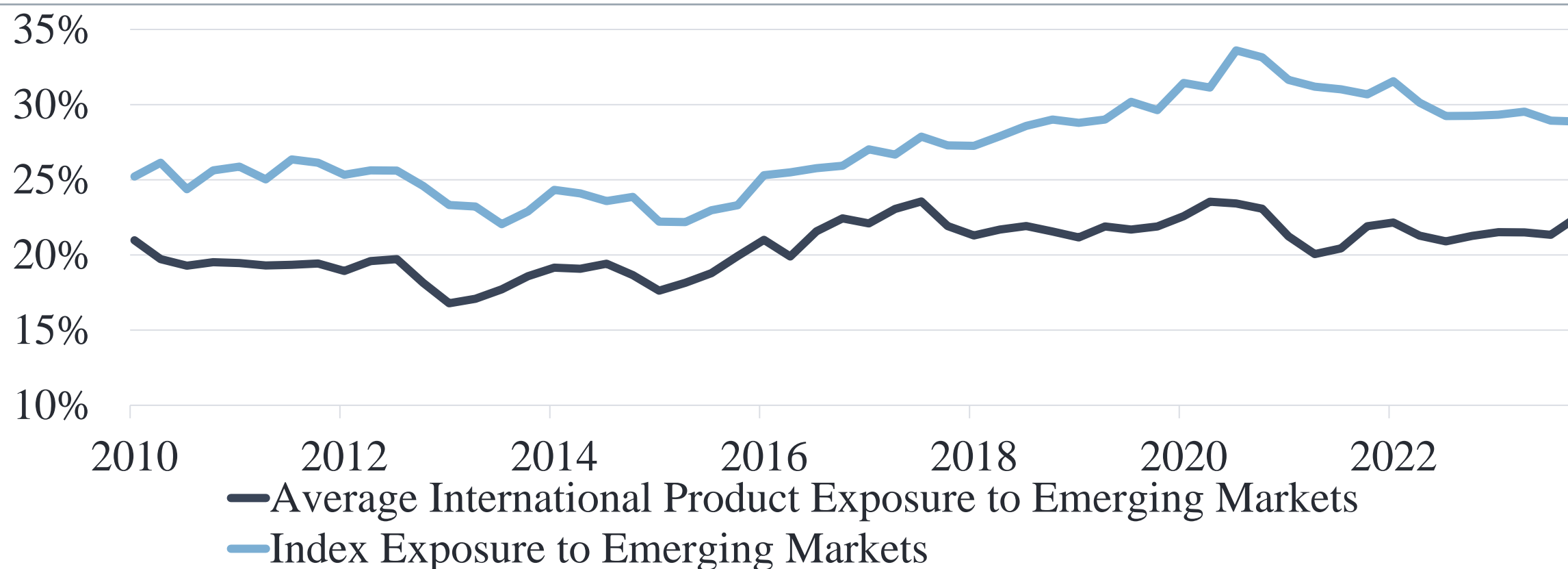
Limit Coverage to the Largest Stocks in the Index

Total Number of Stocks in the EM Universe



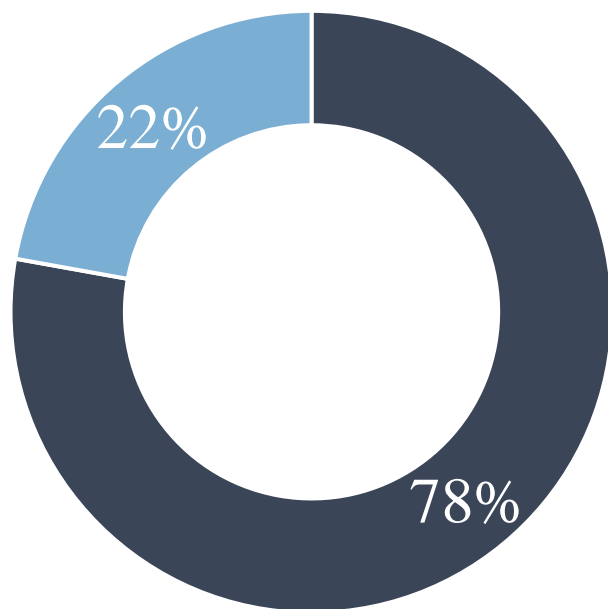
A Systematic Underweight to EM

Allocation to EM: International Products vs the Index



A Systematic Underweight to EM

International Products Consistently Underweight EM



- Underweight Emerging Markets
- Overweight Emerging Markets

Does this
underweight reflect a
market view
OR
a lack of resources?



CONCLUSION

Closing Thoughts

- Diversity of structural themes and inefficiency of EM offer excellent opportunities for alpha generation
- The magnitude and complexity of EM requires dedicated resources to extract this alpha
- The challenges of covering the full suite of international countries in one mandate will continue to grow as EM continues to grow

Additional Notes & Disclosures

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