

Strategic Opportunities in Emerging Markets

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2026 EM Tailwinds

- Falling EM Interest Rates
 - Central banks easing monetary policy, expected to persist through 2026
- Weakening US Dollar
 - Fed cuts easing global conditions, supporting EM FX and total returns
- AI-Driven Earnings Growth
 - Higher YoY earnings growth for EM AI stocks vs US
- Tariff Resilience & Diversification
 - Supply-chain adjustments, trade rerouting, and domestic growth drivers in place

AI: The EM Return Driver

- Semiconductors & Hardware
 - Taiwan & Korea lead in chips, HBM memory, and advanced manufacturing
- AI Supply Chain
 - Electronic manufacturing services, power supply units, PCB companies
- Cloud & Internet Platforms
 - China internet companies embedding AI for cost efficiency and growth
- AI Infrastructure & Power
 - Data center energy demand driving infrastructure and storage battery growth

AI Opportunity Set

Taiwan

AI Leader

~130%

IT sector return (2 yr)

Unrivaled semiconductor manufacturing;
full upstream/downstream ecosystem;
\$500B AI initiative over 15 years

South Korea

Top Pick

~100% return

MSCI Korea Index (2025)

HBM memory leadership (Samsung, SK Hynix)
Diversifying into full-stack AI
Telecom and e-commerce AI tools

China

AI Resurgence

~31% return

MSCI China Index (2025)

Semiconductor manufacturing
Full upstream/downstream ecosystem
\$500 billion AI initiative over 15 years

Brazil

- Central bank easing this year
- ~12% risk-free rate
- Marketplace neglected by both local and global investors creates opportunity
- Fixed Income -> Equity Rotation
 - High real rates pushed local money into bonds; rate cuts should reverse this flow
- Election Catalyst Potential
 - Market-friendly candidate could trigger significant outperformance
- Weak Dollar Beneficiary
 - Classic EM weak dollar trade with real appreciation supporting returns
- Less export-reliant economy; domestic growth drivers provide resilience

South Korea: Not Just Semiconductors

- Global leaders in HBM memory (Samsung & SK Hynix)
- Full-Stack AI Diversification
 - Moving beyond chips into telecom (SK Telecom) and e-commerce AI tools (Naver)
- Telecom AI Services
 - SK Telecom advancing toward full-stack AI services platform
- Banking sector strength
 - High single-digit EPS growth expected for large cap banks in 2026
 - Favorable policy backdrop + capital market activity boosting revenues

Summary

- Brazil (domestic value play)
 - ✓ Rate cuts driving equity rotation
 - ✓ ~12% risk-free rate with weak dollar tailwind
 - ✓ Election upside catalyst potential
 - ✓ Tariff-insulated domestic economy
- South Korea (AI tech+ financials)
 - ✓ HBM memory global leadership position
 - ✓ Bank EPS growth with policy support
 - ✓ Full-stack AI diversification with underway
 - ✓ Capital market activity boosting revenues