

# Equity Strategies

## EQUITIES

Emerging Market (EM) outperformance was sustained in Q4 after the Federal Open Market Committee (FOMC) reduced benchmark interest rates by 50 basis points (bps) over the quarter. Against this backdrop risk assets saw positive performance and Emerging Markets (+4.7%) outperformed the Developed World (+3.1%) by +1.6%.

In the United States declining inflation, and a deteriorating labour market allowed the FOMC to cut the Federal Funds rate to 3.5% - 3.75%, 50 bps lower than September. However, a divergence in monetary policy began to emerge in other areas of the Developed World as the European Central Bank (ECB) left policy rates unchanged after board members revised growth and inflation estimates higher, and the Bank of Japan (BoJ) increased interest rates by 25 bps to 0.75%, the highest level since 1995. In other news, there was increased investor concern and media coverage over a potential bubble in asset prices related to artificial intelligence (AI). This was primarily driven by hyperscalers' decision to use debt to fund additional AI capex and led to increased volatility in global equity markets. In Germany, fiscal expansion accelerated as the off-budget infrastructure and climate funds were rolled out faster than expected.

In EM, South Korea (+27.3%) and Taiwan (+10.4%) were two of the best performing markets. Both countries are heavily involved in the semiconductor ecosystem and have benefitted from a structural shift in demand related to AI, and attractive pricing dynamics. As evidence, Korean exports in November reached a record high of USD 61bn driven by a +38.6% increase in chip shipments. While India (+4.8%) was one of the worst performing markets over the first nine months of the year, it rebounded in Q4. Authorities accelerated financial sector reform to ease capital requirements, facilitate corporate borrowing, simplify foreign investor access in an attempt to restore confidence in the market.

While Asian markets generally performed well, China (-7.4%) saw significant selling pressure over the period. US-Sino trade relations continued to be a source of market volatility and investment sentiment was also hurt by weak economic data. This includes poor retail sales, industrial production, fixed asset investment and property data. In other news, the Chinese government placed a heavy emphasis on their technology and manufacturing sectors at the country's Fourth Plenum.

As a region, Latin America saw strong equity market performance. Chile (+25.3%) saw the highest returns after right wing candidate Jose Antonio Kast defeated Communist Party candidate Jeannette Jara and signalled a pro-business agenda. However, Brazil (+7.0%) and Mexico (+5.4%) also saw positive returns. In Brazil, positive sentiment was tied to improving trade relations with the United States after the Trump administration removed tariffs on a subset of Brazilian agricultural exports including coffee, beef and some fruits. Meanwhile, Mexican President Claudia Sheinbaum announced a postponement of US tariffs after progress was made in negotiations with the Trump administration. La Libertad Avanza, the political party of Argentina's President Javier Milei's, performed exceptionally well in the mid-term elections and captured more than 40% of the national vote. This provided the political support for President Milei to continue pursuing economic reform.

In the smaller EM countries, Colombia (+18.4%) and Peru (+12.7%) also performed well. The former saw significant volatility in its pre-

presidential election landscape. President Gustavo Petros approval ratings remain underwater, and there is some belief that there is a growing centrist alignment. In Peru, President Dina Boluarte was impeached and removed from office. She was replaced by congressional leader Jose Jeri who will guide the country toward a July 2026 election.

Finally, in the Middle East there was a ceasefire agreement between Israel and Hamas that represented a diplomatic success for Egypt, Jordan and Qatar. In Saudi Arabia (-7.6%), Investment Minister Khalid Al-Falih announced that Vision 2030 is almost complete and highlighted the non-oil sector now accounts for 56% of Gross Domestic Product (GDP). Qatar is expected to be a major beneficiary of the EU's plan to ban Liquefied Natural Gas (LNG) from Russia in 2027 given their recent North Field capacity expansion. Egypt was the top performing country in the region, up +12.4% on fiscal and monetary policy orthodoxy which boosted investor sentiment. Furthermore, the downward trajectory of inflation supported the currency following multiple devaluations since 2021. Oman returned +9.8% after the country signed a Comprehensive Economic Partnership agreement with India, and two memoranda of understanding with Qatar to improve trade and investment between the two countries.

## Outlook

After a prolonged market cycle when EM Equity was overshadowed by US exceptionalism, 2025 was an inflection point. The asset class considerably outperformed the Developed World and returned +33.5%. In our view, the risk / reward remains firmly skewed in EM's favour and we expect this trend to continue for the foreseeable future.

Historically, global equity market leadership is cyclical and driven by the interrelated factors of economic growth, earnings and currency performance. All three are transitioning into tailwinds for EM. US dollar weakness in 2025 highlighted the deterioration in US macroeconomics and institutional stability. As monetary policy in Developed Markets (DM) diverge in 2026, we expect further US dollar depreciation. Meanwhile, from a macroeconomic perspective, EM fundamental health has proved robust and allowed the region's economic growth premium (EM versus DM) to expand. When combined with low inflation and accommodative monetary policy in EM there tends to be a positive backdrop for domestic liquidity, credit creation and economic activity. This is only exacerbated by an easing FOMC.

The dynamics described supported EM earnings in 2025 with realised growth of 16.3%. While EM continues to trade at undemanding levels (40% discount relative to US), multiples re-rated from 11.8x to 13.2x over the same period. In 2026, we expect earnings growth will drive stock market performance. At a high level, consensus expectations indicate 18.0% Earnings Per Share (EPS) growth in 2026. Given this expectation, and our belief that EM currency will appreciate, then the path for high teens performance in US dollar becomes visible without significant support from multiple expansion.

From an investment perspective, we continue to capitalise on the heterogeneity of EM countries and the investment opportunities it creates. China remains the largest constituent in the asset class, and we expect macroeconomic pressure to intensify as the impact of

consumption subsidies declines. This, however, provides the potential for more rigorous support measures. Meanwhile, the priorities established by the 4th Plenum is likely to entrench the country's dominance in technological innovation in industries such as AI, robotics and automation. Elsewhere in Asia, South Korea and Taiwan will benefit from a tight memory cycle and visibility of significant capex from US hyperscalers. Despite increased demand for memory, capacity build-out will take time which will support pricing dynamics. After positive, albeit disappointing, returns in 2025, India is well placed to surprise positively after a raft of policy support measures. However, we continue to monitor what we believe are full valuations. Nominal GDP has weakened in recent years, though there are signs that credit growth and auto sales are gaining momentum.

In other areas of the world, Mexico is expected to seal a trade deal with the United States, which will likely provide a significant competitive advantage in trade relative to other countries. However, until the United States–Mexico–Canada Agreement (USMCA) is renegotiated, we expect the country will remain in a holding pattern. Brazil has the one of the highest real interest rates in the world and are entering an election year which we believe will cause volatility and create outsized investment opportunities for dispassionate investors. Jose Antonio Kast will become the President of Chile on March 11, 2026, and is expected to lead a more pro-business administration, while Peru and Colombia will hold elections in 2026.

Overall, the outlook for EM is positive. The asset classes' more attractive risk-reward profile, and the lasting ramifications of US policy on its economy, and currency have set the stage for a persistent and sustainable shift in market leadership towards EM.

#### **Positioning: Ashmore SICAV Emerging Markets Active Equity Fund (the Fund)**

Our EM Active Equity strategy follows a structured investment approach that is top down fundamentally driven with insights generated from multiple sources. This approach aims to produce a live global, country and industry perspective enabling dynamic investing. It also focuses the team's analytical resources to carry out in-depth proprietary bottom-up stock research. The outcome is a high conviction stock portfolio that reflects our top-down views.

The fourth quarter saw a significant rotation into South Africa and Argentina. In South Africa, we are optimistic on an improving macroeconomic outlook while the country's Government of National Unity (GNU) has focused on reforms in the logistics and energy sectors. To reflect improved sentiment, we increased our exposure relative to the MSCI EM Index by +5.4%. We primarily did this through two large companies that offer a range of banking and financial services. We did, however, also add to a consumer staples company that owns and operates a chain of retail stores that focus on health, beauty, lifestyle and pharmaceutical products. In Argentina, following positive midterm elections for President Javier Milei, we increased our exposure by +4.5%. We believe prospective reforms in the labour, tax and pension systems will benefit future economic growth. Our investments are dispersed across the Banking, Energy, Materials and Software industries.

To fund these investments, we broadly decreased our exposure to Brazil. The Selic rate remains at 15.0%, with restrictive real interest rates designed to constrain domestic economic activity. Meanwhile, we expect volatility in the lead up to the 2026 presidential election. To reflect this, we decreased our exposure to the Consumption and Financial Services industries.

China remains the largest exposure in the strategy, though we are modestly underweight the MSCI EM Index. While we decreased our exposure to Consumption over fear of near-term headwinds, we significantly added to our investments in the Media & Entertainment space. This was primarily driven by poor performance in Q4 which created a buying opportunity.

Elsewhere in East Asia, we remain heavily invested in the Semiconductor complex. We added to the parent company of a large South Korea foundry that trades at a large discount to NAV. In Taiwan, we bought a large fabless design house focused on SoC solutions.

#### **Positioning: Ashmore SICAV Emerging Markets Equity Fund (the Fund)**

Our EM Equity strategy follows a bottom-up driven approach. We target companies with sustainable competitive advantages that are able to maintain above average rates of growth and that are under-priced by the market. Top-down acts as a form of idea generation and risk control.

At the end of December 2024, the EM Equity Strategy maintained a modest underweight to South Korea. This significantly changed in 2025, and at the end of Q4 we were 17.4% invested in the country, an approximately +4.1% active weight relative to the MSCI EM Index. In Q4, we initiated a position in a large memory company that has benefitted from structurally higher demand for DRAM and NAND memory products. With constrained capacity, customers have accepted significant price increases in recent quarters.

To fund this, we decreased our relative exposure to Taiwan. While we continue to have large absolute exposure to the country (+22.4%), we moderated our overweight to +1.8%. This was driven by our decision to sell our position in a design house focused on System on a Chip (SoC) chip solutions.

Elsewhere in the world, we added to our investments in Poland. The country has delivered better than expected GDP growth that was driven by strong domestic consumption, increased investment, and a robust labour market. We hold positions in a bank, an e-commerce platform and a clothing retailer.

It should be noted that China remains the largest absolute exposure in the strategy, however, we continued to decrease our position relative to the MSCI EM Index (-4.7%). We exited a leading developer and manufacturer of skin care products and decreased our position in a battery / energy storage manufacturer and a leading athleisure retailer.

#### **Positioning: Ashmore SICAV Emerging Markets Frontier Equity Fund (the Fund)**

The EM Frontier Equity Strategy is invested in the team's highest conviction ideas and is diversified across companies in high value segments of supply chains that are often underpinned by structural growth drivers.

In Q4, the Frontier Equity strategy rotated into Argentina. This was driven by strong mid-term election results that re-affirmed President Milei's mandate for reform. We currently maintain a 3.2% off-benchmark position in the country, approximately +2.5% higher than September 2025. This was primarily achieved through the initiation of a position in a large cement company which has been hurt by large decreases in public infrastructure since 2023. However, we expect demand to recover as economic activity normalises in 2026. It should be noted that we also hold a large energy company, in addition to a software company.

The strategy reduced its active weight to Morocco by -2.7%. This was partly driven by deteriorating sentiment related to youth-led anti-

government protests which were focused on social services and public sector corruption. We have maintained a modest position in the country, and do not think the protests represent an existential threat to the government. However, we did reduce our position in a leading bank within the country.

In Vietnam, we initiated a small position in a large conglomerate after the company improved their financing position following a bond issuance. However, we remain more heavily invested in its real estate subsidiary which we believe is the higher quality asset. We exited our position in an industrial real estate company. The sector continues to see headwinds as international clients hesitate to commit to large projects given geopolitical and trade uncertainty.

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