Global Emerging Markets Equity Fund

NEDGROUP INVESTMENTS

June 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

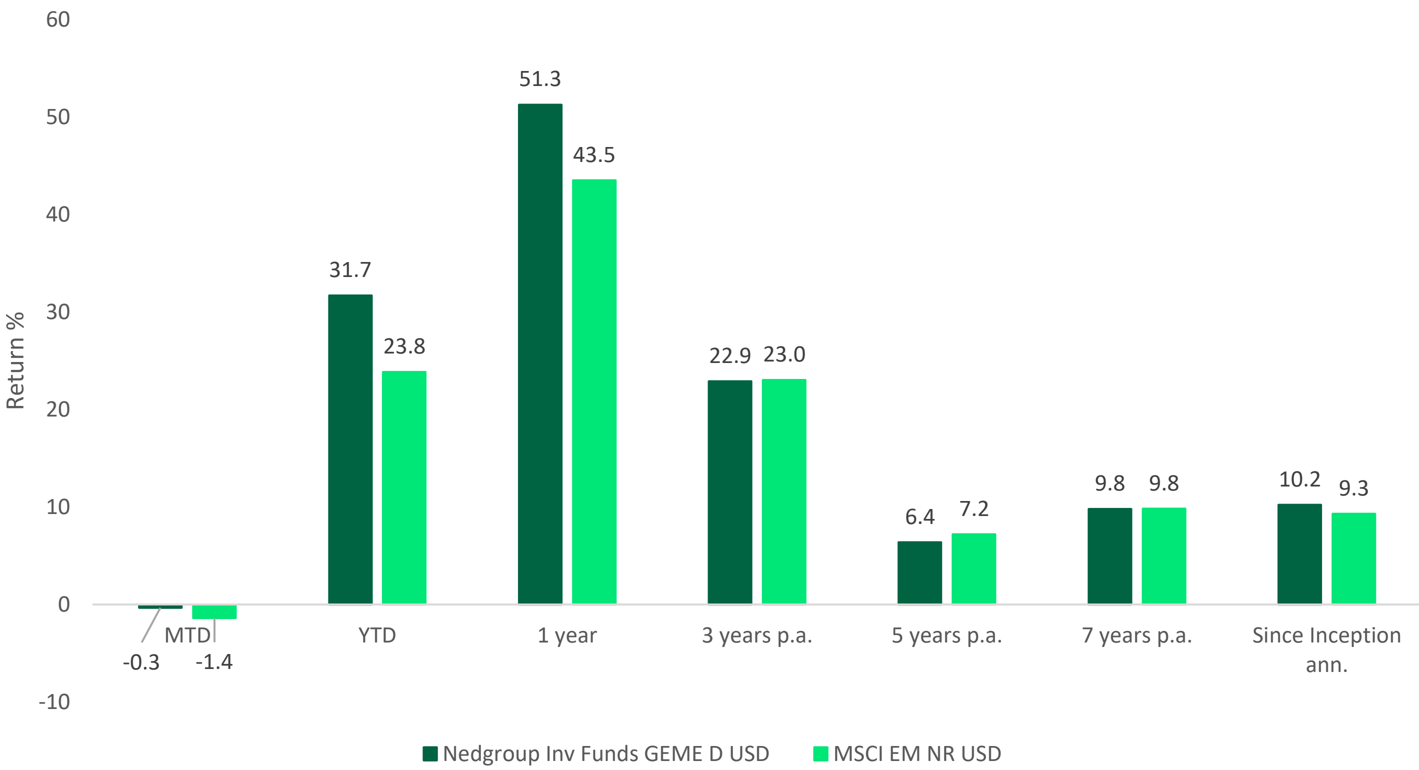
18 years in the industry

Mazika Li

9 years in the industry

Fund Performance to 30th June 2026

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



Class inception date May 2019. Source: Morningstar

Market Commentary

The AI capex boom has been by far the dominant driver of returns this year. The rally in emerging markets this year has been so narrow that less than 25% of stocks have outperformed the benchmark. South Korea's outperformance has been driven to an extreme by local retail participation in leveraged/unleveraged single-stock ETFs.

We are now seeing some profit taking and de-leveraging in overcrowded areas, and the correction from the highs among semiconductor stocks has been sharp, with the KOSPI correcting over -30% from its June peak.

Despite hitting oversold levels, our inclination is not to catch the falling knife and double down but rather wait for signs of consolidation in tech while looking for opportunities in EM laggards outside North Asia.

Positioning data from EPFR illustrates how many markets outside of Taiwan and South Korea have been abandoned by investors and may offer up some attractive opportunities. The dominance of South Korea and Taiwan market performance over the last 12 months is reflected in significantly lighter positioning elsewhere.

India stands out as the biggest victim of the enthusiasm for North Asian tech stocks. Just a couple of years ago India was one of the standout equity markets over a period of decades. Now Indian stocks cannot seem to catch a break.

Since the end of 2024, India's weighting in the MSCI EM benchmark has fallen from nearly 20% to 9% today, as Taiwan and South Korea have surged from a quarter to almost half the benchmark. Last year, Indian equities posted their worst year relative to Asian equities since the 1990s.

In the lead up to the market peak in 2024, the investment narrative was the ideal EM structural growth story:

- Continental sized economy enjoying healthy growth.
- Favourable demographics, the largest working age population accounting for around 69% of the population (UN data).
- High levels of education, producing over 2.5 million STEM graduates annually.
- Over a decade of stable politics under Prime Minister Modi.

Indeed, it was this final point that we were most excited about, as a decade or more of stable politics and positive incremental reforms were beginning to bear fruit. Our conviction for India's bright prospects rest on an understanding that institutional quality is a crucial factor for unlocking sustained economic growth and moving up the development ladder.

Institutional quality can be the difference between a country like Argentina - which at the beginning of the 20th century was one of the richest countries on the planet, to where it is today with high inflation and political dysfunction (although under President Milei, Argentina is taking its first steps to resolve this) – and Singapore, one of the poorest countries on earth 50 years ago, before taking off in an era of rapid development to be one of the richest countries in the world today. So is the market signalling that something is broken in India?

Modi's tenure has brought with it initiatives including bankruptcy law reform, sanitation universalisation, electrification of rural India, a national goods and services tax, demonetisation and digital payments infrastructure. Any one of these initiatives may seem relatively trivial in isolation. However, it is the compounding effect of these incremental steps that can create a virtuous circle that unlocks the next upward shift in wealth.

For a country the size of India, that progress will see several hundred million Indians join the formal economy and accumulate wealth, which can in turn present a host of opportunities for investors with the framework to harness these structural tailwinds. We think this story remains intact.

Foreign investors have abandoned Indian equities, having designated the market an "AI loser" due the disruption of its 5 million strong IT services sector. Higher energy prices on the back of the US-Iran conflict has been an added headwind.

After a decade of strong performance, India was an obvious source of funds to add to South Korea and Taiwan as the boom in hyperscaler capex saw the earnings of tech hardware companies in those countries skyrocket.

Market Commentary (Continued)

The foreign exodus has come as earnings growth for the market has fallen below the highs of 2022-2024 (over 30%). It appears to have troughed at 5.8% in 2025 and is forecast to accelerate into the mid-teens by 2027.

A stream of IPOs coming to market soaking up liquidity has been an added drag. In the financial year ending March 2026 an all-time high of 266 IPOs were filed with SEBI, and since March we have seen another 39 filings in three months suggesting these headwinds will persist. While this is a short term headwind, these listing are the makings of a far deeper and more diverse opportunity set for investors in India.

On a price to earnings basis MSCI India trades one standard deviation above its 20-year average premium to MSCI EM of 1.5x, although on a price to book basis it looks reasonable.

There are pockets of value and positive earnings revisions across financial services, banks, real estate, software, healthcare and retail staples, but this is beside the bigger structural point. In India we have the institutional reform story, fuelling sustained economic and corporate earnings growth, and a deep opportunity set of companies with high quality management teams.

Key mantra: be careful relying on mean reversion tables when there is positive structural change taking place

Alongside the reforms mentioned above, the development of India’s domestic pension and mutual fund industry is a powerful force which can drive stock market re-rating. Just as we saw in places like Australia and Chile, the creation of a structural, non-cyclical source of demand for financial assets can create powerful feedback loops.

Jefferies Head of Global Equity Strategy Chris Wood has been one of the leading strategists emphasising the importance of these pension and mutual fund flows. His work illustrates that while foreigners have run for the exits, domestic demand for Indian equities remains robust.

The AI earnings boom in Korea and Taiwan has captivated investors over the past 12 months. While we have held a healthy overweight to the theme for several years, we maintain a wide aperture in our search for positive structural stories across a diverse opportunity set in emerging markets. Despite being distinctly out of favour, India’s rise up the development ladder remains one of the most exciting opportunities in the EM asset class.

Key return drivers: June 2026

Stock Contribution: Top 5 & Bottom 5

Winners	Contribution (%)	Losers	Contribution (%)
JCET Group Co Ltd-A	0,42%	Wiwynn Corp	-0,29%
Advanced Micro-Fabrication	0,41%	Delta Electronics Inc	-0,25%
Sk Square Co Ltd	0,35%	Baidu Inc - Spon ADR	-0,20%
Acter Group Corp Ltd	0,30%	Mediatek Inc	-0,17%
Max Healthcare Institute Ltd	0,21%	Yageo Corporation	-0,14%

Sector Contribution

Sector	Security Selection	Sector Allocation	Total
Industrials	0,85%	-0,19%	0,66%
Information Technology	0,45%	0,04%	0,49%
Consumer Discretionary	0,02%	0,42%	0,44%
Materials	-0,16%	0,35%	0,19%
Health Care	0,13%	0,00%	0,13%
Utilities	0,07%	0,02%	0,09%
Consumer Staples	0,00%	0,02%	0,02%
Cash	-0,06%	0,07%	0,01%
Other	-0,02%	0,00%	-0,02%
Real Estate	-0,06%	-0,02%	-0,08%
Communication Services	-0,15%	0,00%	-0,15%
Energy	-0,31%	-0,01%	-0,32%
Financials	-0,30%	-0,05%	-0,35%

Country Contribution: Top 5 & Bottom 5

Country	Security Selection	Country Allocation	Total
South Korea	1,60%	0,08%	1,68%
China	0,36%	0,19%	0,55%
South Africa	0,07%	0,06%	0,13%
Brazil	0,12%	-0,04%	0,08%
Hungary	0,03%	0,04%	0,07%
Poland	-0,08%	-0,01%	-0,09%
United States	-0,15%	0,01%	-0,13%
Argentina	-0,29%	0,03%	-0,26%
Hong Kong	-0,32%	0,05%	-0,27%
Taiwan	-0,72%	-0,07%	-0,80%

Source: NS Partners Ltd

Portfolio Characteristics as at 30th June 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	18,76%	6,75%	12,02%
Information Technology	47,04%	45,26%	1,78%
Cash	1,08%	0,00%	1,08%
Financials	18,51%	18,40%	0,11%
Real Estate	0,69%	0,97%	-0,28%
Other	-0,31%	0,00%	-0,31%
Health Care	1,95%	2,37%	-0,42%
Utilities	0,98%	1,86%	-0,88%
Energy	1,79%	3,08%	-1,30%
Consumer Staples	0,72%	2,65%	-1,93%
Communication Services	3,71%	6,00%	-2,29%
Consumer Discretionary	3,47%	7,23%	-3,76%
Materials	1,62%	5,43%	-3,82%

Country Allocation: Top 5 & Bottom 5

Country	Portfolio	MSCI EM Index	Variation
South Korea	27,18%	23,72%	3,46%
Argentina	1,79%	0,00%	1,79%
Hong Kong	1,77%	0,00%	1,77%
Egypt	1,46%	0,07%	1,39%
Hungary	1,23%	0,34%	0,90%
India	10,04%	11,09%	-1,06%
South Africa	1,62%	2,92%	-1,30%
Taiwan	25,88%	27,34%	-1,46%
Mexico	0,00%	1,66%	-1,66%
China	16,56%	19,03%	-2,48%

Source: NS Partners Ltd

Attribution and Positioning Summary

June 2026

What worked:

- Stock selection in Brazil and India; stocks and underweight in China; stocks and overweight in South Korea; stocks and overweight in Egypt; underweight Materials and Consumer Discretionary; stocks in Industrials and IT

What didn't work:

- Stocks in Argentina, Taiwan and Hong Kong; stocks in Energy, Materials, Financials and Communications; overweight Industrials

The good:

- **JCET Group** - the world's third-largest semiconductor packaging and testing company, based in China and benefiting from rising demand for advanced packaging technologies used in AI accelerators, chiplets and high-performance computing
- **Advanced Microfabrication** - China's leading semiconductor etching equipment company, benefiting from accelerating localisation of wafer-fab equipment
- **SK Square** - holding company discount to portfolio NAV narrowing to 50% from 55%; leader in Value-Up reforms and benefits from outperformance of HBM leader SK Hynix; sell side estimates HBM market will grow to US$350 billion by 2030 to support AI demand

The bad:

- **Wiwynn Corp** – data center server assembly, stock cooling off after a strong run
- **Delta Electronics** – power and thermal management specialist; stock pulling back after a period of overexcitement around demand for new high voltage direct equipment tech; lacking near term catalysts, outlook further out is bright with significant demand in the pipeline linked to Nvidia Rubin
- **Baidu** – pressure on legacy search business due to weak consumer in China; and questions over the monetization of AI investments

Changes over the month:

- Added to Argentina, Brazil, China, Hungary, India, South Korea and Taiwan, and reduced UAE, Greece, Hong Kong, Peru and Poland; and moved to underweight gold and oil

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For further information on the fund please visit: www.nedgroupinvestments.com

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