# Global Emerging Markets Equity Fund

NEDGROUP INVESTMENTS

October 2026 Commentary | ISIN for Class D USD: IE00BGPBQH85

MARKETING COMMUNICATION

MONTHLY PORTFOLIO UPDATE

## 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

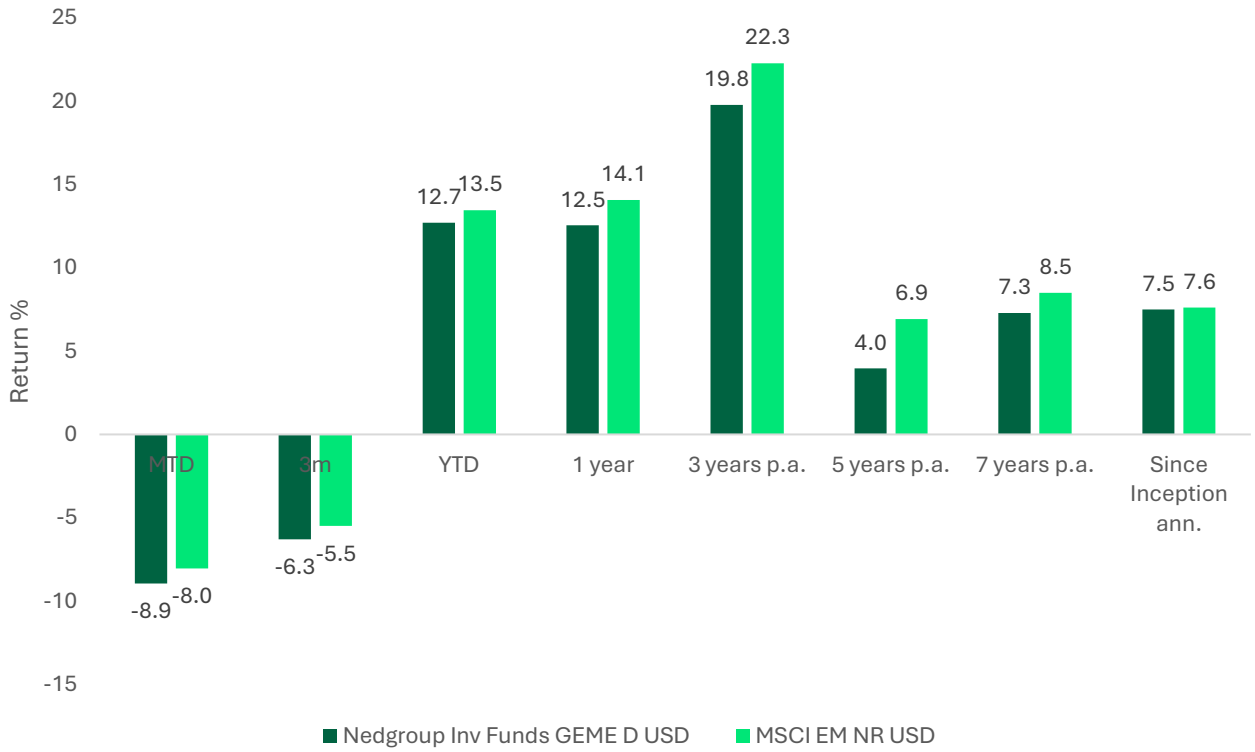


**Mazika Li**

9 years in the industry

## Fund Performance to 31st October 2026

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




*Class inception date May 2019. Source: Morningstar*

## Market Commentary

**Brazil's election bust**
Brazil's bull market collapsed as president Lula da Silva defied pollsters and prediction markets to win re-election in a run-off poll on the 25th of October. The result was a shock following the strong win in the first round by his right wing opponent Flavio Bolsonaro.

Lula is the first presidential candidate since Brazil's return to democracy in the 1980s to come back from a first round defeat. Falling abstention in the second round saw a wave of votes come Lula's way in almost every municipality.

**The market treated a probable Bolsonaro win as a certainty**
The rally in Brazilian equities after the first round on the 4th of October priced a change of government and a shift to conservative fiscal policy before it actually happened. The reality of a fourth term of Lula's fiscal profligacy hit on Monday 26th of October as the Ibovespa plunged 13.9%, the largest decline since March 2020. The Brazilian real had its worst day in 23 years and long rates rose by more than 250 basis points.

**Brazilian blackjack**
Over the past year we framed the investment opportunity in Brazil as akin to a game of blackjack where fiscal deficits, high interest rates and political uncertainty were the low cards favouring the dealer. Cheap valuations, resilient companies and the prospect of political change were the high cards, with low cards coming out of the deck gradually improving the investors' odds.

By August 2025, that "count" was becoming more favourable: economic resilience, easing inflation and increasingly credible prospects for a market-friendly political shift supported lifting exposure, while maintaining a strong bias towards quality companies.

The odds moved decisively in the investor's favour in October 2026, when Flávio Bolsonaro's unexpectedly strong first-round election result, combined with a major shift to the right in the Senate, raised expectations of fiscal consolidation and market-friendly policy.

**Overweight into the first round**
We went into the first round of elections with a modest overweight to Brazil (accounting for c.4% of the MSCI EM Index as at the 30th of September), which was well timed. Following a sharp rally, we decided to trim the exposure, focusing on businesses that were no longer as attractively valued, and recycled the profits into other Latam countries.

**Falling knife**
Given Bolsonaro's polling strength for the second round – the long-awaited "ace" of positive political change coming into view - we tilted the remaining exposure in Brazil towards higher beta names which would be more sensitive to falling rates.

Brazil's Ibovespa tanked in the immediate aftermath of Lula's victory, with the higher beta portion of our exposure underperforming. For these companies we were happy to wait for a bounce before selling in order to de-risk and move underweight Brazil. Higher quality businesses with ROIC well above the cost of capital, strong balance sheets, dollar revenues and less leverage to the economy were retained.

## Market Commentary (Continued)

There is no appetite here for mechanically buying the dip as the risk-reward proposition has changed dramatically in our view. The bulls argue that Lula has campaigned as a socialist but governed as a pragmatist in the past and that we should expect the same this time around.

This is debatable and the reality today is that the starting conditions for Lula's fourth term are different:

- Public debt is above 80% of GDP, having risen by more than 10 percentage points over Lula's third term.
- Less than 8% of the federal budget is adjustable due to mandatory spending.
- Lula's rhetoric and campaign commitment signals a more expansionary policy regime, with increased pension expenditure, welfare commitments and proposed debt-relief programs.
- This is likely to pressure inflation higher, which has not been tamed by a Selic policy rate of 13.75%.
- Highly indebted households and corporates are already struggling with rising debt servicing costs.

**The outlook for Brazil has changed, and thus a collapse in equity prices does not automatically signal a buying opportunity.**

The market remains above its level 60 days ago when polls suggested a tight election, and economic conditions have since worsened since then. This hardly screams "bargain" to us.

**The regional picture for Latam ex-Brazil is attractive**

Reducing exposure in Brazil is also a matter of opportunity cost. As a region, Latin America trades on c.10x forward earnings versus 14x for emerging Asia, the widest discount since 2010. Trailing earnings are up 22% year-on-year and ROE is over 18% with a dividend yield of nearly 5% (Bradesco BBI, October 2026).

Unlike Brazil, the political backdrop for the rest of the region is more favourable. Market friendly right wing governments lead 9 out of 20 countries versus 6 in January 2023, which includes Argentina and Peru where the portfolio has banking, IT and energy exposure.

Mexico is a notable exception, led by left wing president Claudia Sheinbaum. She has proven to be a more pragmatic leader than her socialist predecessor AMLO, and has managed US-Mexico relations well with an eye to supply chain "nearshoring" opportunities, while seeking to secure a relatively positive outcome from USMCA negotiations. We are beginning to reduce our underweight on the expectation that a favourable trade deal would be a tailwind for Mexican equities exposed to renewed investor confidence and compliant exporters integrated into US supply chains.

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## Key return drivers: October 2026

### Stock Contribution: Top 5 & Bottom 5

| Winners | Contribution (%) | Losers | Contribution (%) |
|---|---|---|---|
| Globant Sa | 0,32% | TSMC | -0,36% |
| Bharti Airtel Ltd | 0,21% | Sk Square Co Ltd | -0,21% |
| PetroChina Co. Ltd. | 0,21% | Delta Electronics Inc | -0,20% |
| China Construction Bank | 0,19% | Cyrela Brazil Realty Sa Emp | -0,18% |
| Shenzhen Mindray Bio-Medical | 0,17% | Apr Corp/Korea | -0,17% |

### Sector Contribution

| Sector | Security Selection | Sector Allocation | Total |
|---|---|---|---|
| Cash | 0,02% | 0,52% | 0,54% |
| Energy | 0,31% | -0,04% | 0,27% |
| Materials | 0,21% | 0,01% | 0,22% |
| Communication Services | 0,21% | -0,08% | 0,14% |
| Health Care | 0,01% | 0,05% | 0,06% |
| Other | -0,01% | 0,00% | -0,01% |
| Utilities | 0,07% | -0,11% | -0,05% |
| Real Estate | -0,08% | -0,03% | -0,11% |
| Financials | -0,17% | 0,01% | -0,16% |
| Consumer Staples | -0,24% | -0,09% | -0,34% |
| Consumer Discretionary | -0,32% | -0,07% | -0,38% |
| Industrials | -0,35% | -0,08% | -0,43% |
| Information Technology | -0,67% | -0,11% | -0,78% |

### Country Contribution: Top 5 & Bottom 5

| Country | Security Selection | Country Allocation | Total |
|---|---|---|---|
| Cash | 0,02% | 0,52% | 0,54% |
| Argentina | 0,14% | 0,17% | 0,31% |
| United States | 0,23% | 0,06% | 0,29% |
| China | 0,28% | -0,12% | 0,16% |
| Hong Kong | -0,08% | 0,20% | 0,12% |
| Mexico | -0,10% | -0,05% | -0,15% |
| India | -0,08% | -0,10% | -0,17% |
| Egypt | -0,22% | -0,03% | -0,25% |
| Korea, Republic of | -0,28% | -0,03% | -0,31% |
| Taiwan | -1,19% | 0,06% | -1,14% |

*Source: NS Partners Ltd*

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# Portfolio Characteristics as at 31st October 2026

## Top 10 Holdings

| Stock | % | Stock | % |
|---|---|---|---|
| TSMC | 9,69% | Accton Technology Corp | 2,51% |
| Samsung Electronics Co Ltd | 8,93% | Mediatek Inc | 2,51% |
| Sk Hynix Inc | 6,53% | Vista Energy Sab De Cv | 2,28% |
| China Construction Bank | 3,94% | ASE Technology | 1,96% |
| PetroChina Co. Ltd. | 2,55% | Bharti Airtel Ltd | 1,96% |

## Sector Allocation

| Sector | Portfolio | MSCI EM Index | Variation |
|---|---|---|---|
| Financials | 22,82% | 20,44% | 2,39% |
| Energy | 5,37% | 3,72% | 1,65% |
| Health Care | 3,72% | 2,80% | 0,92% |
| Other | -0,25% | 0,00% | -0,25% |
| Information Technology | 41,42% | 41,77% | -0,35% |
| Real Estate | 0,58% | 1,03% | -0,45% |
| Consumer Staples | 1,39% | 2,83% | -1,43% |
| Industrials | 4,44% | 6,04% | -1,60% |
| Materials | 3,41% | 5,77% | -2,36% |
| Communication Services | 3,37% | 6,02% | -2,65% |
| Consumer Discretionary | 4,85% | 7,66% | -2,81% |
| Cash | 7,82% | 0,00% | 7,82% |

## Country Allocation: Top 5 & Bottom 5 (Relative)

| Country | Portfolio | MSCI EM Index | Variation |
|---|---|---|---|
| Hong Kong | 2,97% | 0,00% | 2,97% |
| Argentina | 2,28% | 0,00% | 2,28% |
| Egypt | 1,64% | 0,06% | 1,58% |
| Malaysia | 2,03% | 0,94% | 1,09% |
| United States | 0,90% | 0,00% | 0,90% |
| Korea, Republic of | 17,63% | 19,66% | -2,03% |
| Brazil | 1,63% | 3,90% | -2,27% |
| Saudi Arabia | 0,00% | 2,39% | -2,39% |
| Taiwan | 25,52% | 28,88% | -3,35% |
| China | 16,15% | 20,00% | -3,85% |

*Source: NS Partners Ltd*

# Attribution and Positioning Summary
# October 2026

### What worked:

- Stocks and overweight Argentina and Malaysia; allocation in Brazil; stocks in China and Hong Kong; stocks in Energy, Materials, Communications and Utilities; overweight Healthcare and Financials

### What didn't work:

- Stocks in Taiwan, South Korea, UAE, Egypt and Brazil; underweight China; stocks and underweight Saudi Arabia and Mexico; stocks and overweight IT; stocks in Industrials, Consumer Staples, Consumer Discretionary and Financials

### The good:

- **Globant** – IT services provider, market had priced the stock as an AI casualty. We think it survives. Stock priced at 4.8x two-year fwd PE with a 21.6% FCF yield, despite earnings being broadly unchanged.
- **Bharti Airtel** – boost from listing of rival Jio, liquidity event over.
- **PetroChina** – support from stronger oil prices; good defensive name in fragile markets.

### The bad:

- **TSMC** – position limited to 10% as per UCITS rules; stock outperformed as AI supply chain stocks pulled back.
- **Delta Electronics** - issues with upstream component and substrate shortage and shipment delay as a result. Sep revenue only up15% YoY vs. August +34.9%.
- **Cyrela Brazil** – rate sensitive name in Brazil hit by shock election result. Had been trimming the name following strong performance post first round of the elections.

### Changes over the month:

- Added to Taiwan, South Korea, India, Malaysia, Argentina, Peru, Mexico, Egypt, Hungary, Greece and South Africa; reduced Saudi Arabia, UAE, Brazil, Hong Kong, China and Turkey. Added to Financials, Energy, Materials, Consumer Staples, Healthcare, IT and Utilities; reduced Industrials, Consumer Discretionary and Communications.

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The price of shares may go down or up depending on fluctuations in financial markets outside of the control of the Investment Manager meaning an investor may not get back the amount invested.

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

Risks and fees are outlined in the relevant Sub-Fund supplement.

Prices are published on the Investment Manager's website.

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