



—  
Investing for a  
world of change



**Archie Hart**  
Portfolio Manager



**Varun Lajiwalla**  
Portfolio Manager



**Juliana Hansveden**  
Portfolio Manager

# A once-in-a-generation opportunity

## How was 2025 for emerging market equities?

2025 was a strong year for emerging markets, which outperformed their developed counterparts comfortably. Various macro shocks did not derail the asset class; despite noise around tariffs and regional conflicts, markets looked through near-term disruptions. While policy uncertainty in the US remains elevated, policy visibility within emerging markets is much greater. China confirmed the importance of the private sector in its economy. India is pouring more concrete than it has ever done before. Most of the Middle East is focused on economic progress, while Asia retains its strong economic competitiveness, particularly in the realm of technology.

Economic, fiscal and monetary policies in emerging markets are generally both pragmatic and conservative, with their direction well understood and accepted by markets. In the context of tariffs, while trade remains essential, a significant proportion of revenues in the emerging market equity universe is generated within emerging economies themselves, with only a modest share linked to exports, and a relatively small proportion derived from the US. This, together with deeply discounted valuations, is among the key reasons why emerging markets performed so well.

Another key reason was excitement around the opportunity and potential for AI to transform our world. While US mega caps continue to dominate the conversation, there are select companies in Asia and other emerging markets that have quietly become indispensable players in the global AI value chain. With established leadership positions, robust capabilities, and strong moats, these firms may offer durable, underappreciated opportunities for long-term investors. Emerging markets have their own tech champions, which we have dubbed the ‘[Secret Seven](#)’ – Delta Electronics, Anji Microelectronics, Accon Technology, Samsung Electronics, TSMC, SK Hynix and ASE Technology. They have outperformed the US Magnificent Seven this year, with TSMC keeping pace with NVIDIA, given its role as the sole producer of NVIDIA’s highest-end chips<sup>1</sup>.

### What should investors expect across emerging markets in 2026?

The current setup resembles the early 2000s. One of the dates that stock market historians will remember is 10 March 2000. That was the peak of the Nasdaq and the dot-com bubble. It was entirely plausible to believe two contradictory things at the same time: the internet was going to be transformational over the next 25 years and change our lives, and that markets looked expensive, with extreme valuations. The internet was indeed incredible, yet the Nasdaq fell 77% over the next two years.

If we fast-forward to today, we can say AI is going to be incredible for the next 25 years, but that does not necessarily make this a good time to buy developed market AI-related securities that already look overstretched. If the AI story fails to deliver the short-term benefits that are currently priced in, that will present an opportunity for asset classes with greater breadth and diversification. In 2025, we saw the start of the diversification trend as markets started to broaden, and we expect this trend to continue, especially given the extreme US valuations. The US is especially relevant because it accounts for two thirds of the MSCI All Country World Index; therefore, if confidence falters, allocators will look elsewhere. If 5% of allocations come out of the US market, that would represent a 30% inflow into emerging markets. Even a small reallocation from the US can therefore have a meaningful impact on EM.

---

1. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.  
This is not a buy, sell or hold recommendation for any particular security.

## What are the key elements of support within emerging markets?

Emerging markets benefit from several structural strengths. Many emerging market central banks maintain higher real interest rates and more conservative policy settings than their developed market counterparts, supporting currencies, anchoring inflation expectations, and reinforcing financial stability.

Geographically, the UAE and broader Middle East remain structural winners as they diversify beyond oil and deepen links with India. South America, led by Brazil, could see robust domestic and foreign inflows as rates fall and pro-market reforms take root. Both regions are still under-owned.

In terms of AI, the emerging markets space is well stocked, led by the 'Secret Seven'. Anji Microelectronics has become a leading player in the Chinese semiconductor space, while companies like Delta Electronics and other switch and network vendors have benefitted from the upgrade cycle linked to AI workloads in data centres and network supply chains. The broader tech ecosystem is covered by Samsung and SK Hynix, which illustrates the broadening out from GPU computing to memory and storage. Meanwhile, battery leaders such as CATL benefit from scale, sustained R&D, and fast-growing grid storage, providing a non-US route to energy transition optionality that intersects with AI power needs. TSMC is a core enabler of global AI, with outsized capex, rising margins, and a long record of high returns. Exposure to foundry leaders and memory suppliers captures AI compute demand without relying on a single US platform<sup>2</sup>.

From a portfolio perspective, emerging markets may also act as an effective diversifier. While they would sell off in the short run if US equities correct, lower starting valuations and reduced dependence on AI-driven earnings should allow them to recover more quickly. In a scenario where crowded US positions unwind or short-term AI expectations are revised lower, this valuation cushion becomes an important source of relative resilience.

## What are the biggest risks facing emerging markets in 2026?

If changes to the tariff regime or rhetoric reappear in 2026, this could lead to uncertainty for tariff-exposed supply chains. This could create volatility for supply chains that rely heavily on US-bound exports. However, risks can be mitigated by focusing on businesses with strong local or regional demand, or where exports to the US have already declined. While emerging markets overall are discounted, pockets tied too closely to a single narrative could face disappointment if growth assumptions cool.

---

2. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.  
This is not a buy, sell or hold recommendation for any particular security.

US policy in South America has also gained significant attention after recent actions in Venezuela, but this does not change our generally positive view on the broader asset class. Arguably if the US erects a security umbrella over the Western Hemisphere and acts to install or maintain western and market friendly regimes, this could be a positive for the in South American markets. There has been some speculation that a stronger security focus on South America may lead to a weaker focus on other geographies, but we do not believe the status quo around such areas as the South China Sea or Taiwan is likely to change in the medium term, with deterring a conflict remaining a US priority.

Aside from geopolitics, another risk that investors remain cognisant of is the impact of a broader equity market correction, given their elevated levels. If the US markets falter, emerging markets will also decline in the short term, along with developed markets. But we would expect a much better bounce in emerging markets than in developed markets for two reasons: valuations start from a lower level in emerging markets, and if one looks at the real economy, returns are far broader based than in the US. For instance, the UAE's property market, South Korea's 'Value up' programme to improve corporate governance and long-term structural change in India, helping reshape its capital market, are all potential drivers of non-AI-related returns in the future. If we again head back 25 years to when markets were flat on their back in 2000, we then saw 10 years of incredibly strong relative performance in emerging markets.

**General risks.** All investments carry the risk of capital loss. The value of investments, and any income generated from them, can fall as well as rise and will be affected by changes in interest rates, currency fluctuations, general market conditions and other political, social and economic developments, as well as by specific matters relating to the assets in which the investment strategy invests. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Environmental, social or governance-related risk events or factors, if they occur, could cause a negative impact on the value of investments. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Individual companies or securities named in this material are included for illustrative purposes only. The views expressed are those of the contributor and do not necessarily represent Ninety One's house view. The information should not be seen as a forecast of how such securities will perform and should not be construed as investment advice or a recommendation.

**Specific risks.** **Equity investment:** The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. **Emerging market:** These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems.

## Important information

The content of this communication is intended for readers with existing knowledge of financial markets.

This communication is provided for general information only. Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular strategy, security, derivative or investment product. The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research, or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. Views and opinions presented herein will be affected by changes in interest rates, general market conditions and other political, social and economic developments. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness. Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Reliance upon information in this material is at the sole discretion of the reader. Investors should consult their own legal, tax and financial advisor prior to any investments. Past performance should not be taken as a guide to the future. Investment involves risks; losses may be made.

Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. © 2026 Ninety One. All rights reserved. Issued by Ninety One, January 2026. In South Africa, Ninety One SA Proprietary is an authorised financial services provider.

### Australia

Level 28 Suite 3, Chifley Tower  
2 Chifley Square  
Sydney, NSW 2000  
Telephone: +61 2 9160 8400  
australia@ninetyone.com

### Botswana

Plot 64289, First floor  
Tlokweng Road, Fairgrounds  
Gaborone  
PO Box 49  
Botswana  
Telephone: +267 318 0112  
botswanaclientservice@ninetyone.com

### Channel Islands

PO Box 250, St Peter Port  
Guernsey, GY1 3QH  
Telephone: +44 (0)1481 710 404  
enquiries@ninetyone.com

### Germany

Bockenheimer Landstraße 23  
60325 Frankfurt am Main  
Telephone: +49 (0)69 7158 5900  
deutschland@ninetyone.com

### Hong Kong

Suites 1201-1206, 12/F  
One Pacific Place  
88 Queensway, Admiralty  
Telephone: +852 2861 6888  
hongkong@ninetyone.com

### Luxembourg

2-4, Avenue Marie-Thérèse  
L-2132 Luxembourg  
Telephone: +352 28 12 77 20  
enquiries@ninetyone.com

### Namibia

Am Weinberg Estate  
Winterhoek Building  
1st Floor, West Office  
13 Jan Jonker Avenue  
Windhoek  
Telephone: +264 (61) 389 500  
namibia@ninetyone.com

### Netherlands

Johan de Wittlaan 7  
2517 JR Den Haag  
Netherlands  
Telephone: +31 70 701 3652  
enquiries@ninetyone.com

### Singapore

138 Market Street  
CapitaGreen #27-02  
Singapore 048946  
Telephone: +65 6653 5550  
singapore@ninetyone.com

—

### www.ninetyone.com

Telephone calls may be recorded for training, monitoring and regulatory purposes and to confirm investors' instructions.

For more details please visit [www.ninetyone.com/contactus](http://www.ninetyone.com/contactus)

### South Africa

36 Hans Strijdom Avenue  
Foreshore, Cape Town 8001  
Telephone: +27 (0)21 901 1000  
enquiries@ninetyone.com

### Sweden

Västra Trädgårdsgatan 15,  
111 53 Stockholm  
Telephone: +46 8 502 438 20  
enquiries@ninetyone.com

### Switzerland

Dufourstrasse 49  
8008 Zurich  
Telephone: +41 44 262 00 44  
enquiries@ninetyone.com

### United Kingdom

55 Gresham Street  
London, EC2V 7EL  
Telephone: +44 (0)20 3938 1900  
enquiries@ninetyone.com

### United States

Park Avenue Tower, 65 East 55th Street  
New York, 10022  
US Toll Free: +1 800 434 5623  
usa@ninetyone.com