

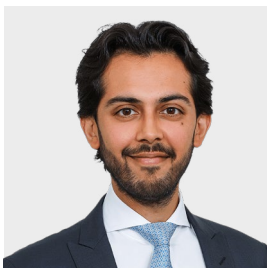


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Investing for a  
world of change

# Emerging markets equities: A resurgence of core



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## Key takeaways

- Emerging markets equities are entering a new cycle. As stock-market leadership broadens beyond the US, investors are reassessing their role in portfolios.
- Equity-market style leadership has widened and rotations have become more abrupt, strengthening the case for core approaches to EM equities.
- 4Factor's core, bottom-up investment process is designed to capture inefficiencies across quality, value, operating performance and investor attention, with a key focus on taking stock-specific risk.
- Since inception, 4Factor has generated alpha through a range of market environments, with 2024 and 2025 providing recent examples of alpha-generation in contrasting conditions.
- 4Factor's balanced, all-weather approach aims to help investors capture opportunities, manage risks and pursue more resilient outcomes.

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## The EM opportunity set plays to core strengths

Emerging markets are changing. Today's economic backdrop is characterised by structural reform in several markets, shifting global supply chains, evolving geopolitical alliances and a reconfiguration of domestic growth models. There are new opportunities for investors to generate returns, manage risk and achieve repeatable outcomes.

But with volatility and factor rotations an inherent part of the EM equity asset class, we believe that generating consistent alpha through the cycle requires an all-weather investment approach. By casting a wide net across styles, sectors and regions, a core, bottom-up investment process increases the breadth of opportunities. 4Factor's Emerging Markets Equity Strategy, which typically operates with a 3-4% tracking error and holds between 70-90 stocks, seeks to deliver outperformance through stock selection, limiting exposure to changes in macro- or style-driven regimes.

## Alpha potential in EM equities

Emerging markets feature persistent inefficiencies, making them an attractive hunting ground for active investors. Relative to advanced economies, corporate disclosures can be inconsistent, ownership structures more concentrated and minority shareholder protections uneven. These structural characteristics mean that information is not always fully reflected in prices.

Many emerging markets also exhibit wider bid-ask spreads and lower trading volumes than developed markets, increasing the likelihood of price dislocations. In addition, retail participation is high in several of the largest EM markets, often intensifying short-term volatility and disconnecting share prices from underlying fundamentals. Meanwhile, analyst coverage is patchier, leaving substantial parts of the investable universe under-researched.

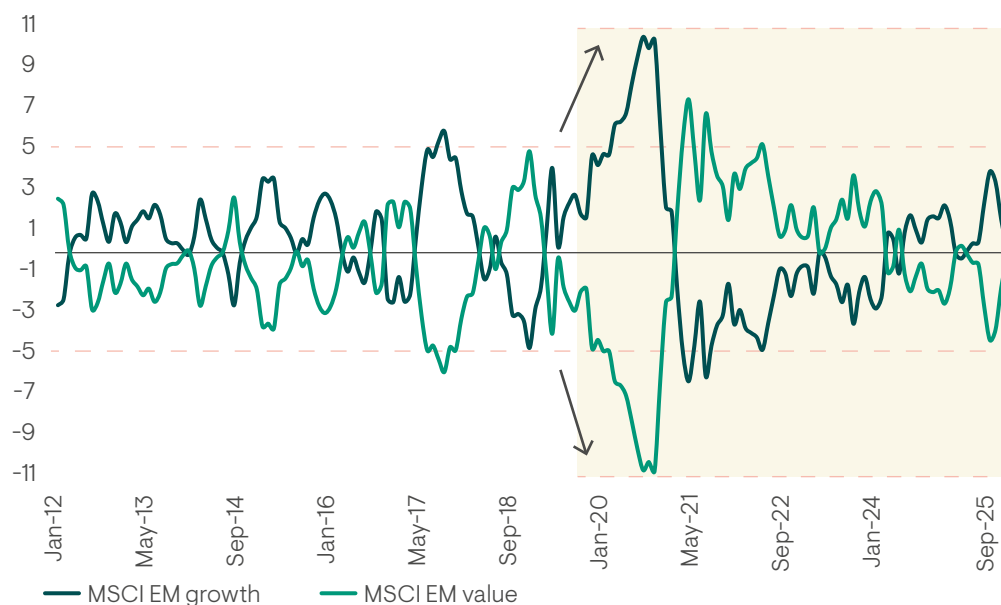
Active investment approaches can exploit these inefficiencies. They can also address some of the challenges of getting passive exposure to EM via indices. Traditional EM benchmarks are often dominated by a small number of countries and large-cap stocks, which can concentrate risks. Large parts of the EM universe have little representation in, or are entirely absent from, the major EM equity benchmarks due to size, liquidity or classification constraints.

## Shifting leadership

The type of active investment approach selected to invest in EM equities can have a significant bearing on performance achieved. This is partly because equity style shifts in emerging markets have increased in scale since 2020 (Figure 1). In that year, the market pivoted from strongly favouring growth to a relief rally in value stocks. Style volatility has continued since, with the most recent growth sell-off triggered by concern over AI disruption. Timing these shifts is extremely difficult. In our view, the rising severity of style rotations underscore the need for an all-weather, style-agnostic approach.

**Figure 1: Big swings in style rotations since 2020**

Rolling six-month excess return vs. MSCI EM



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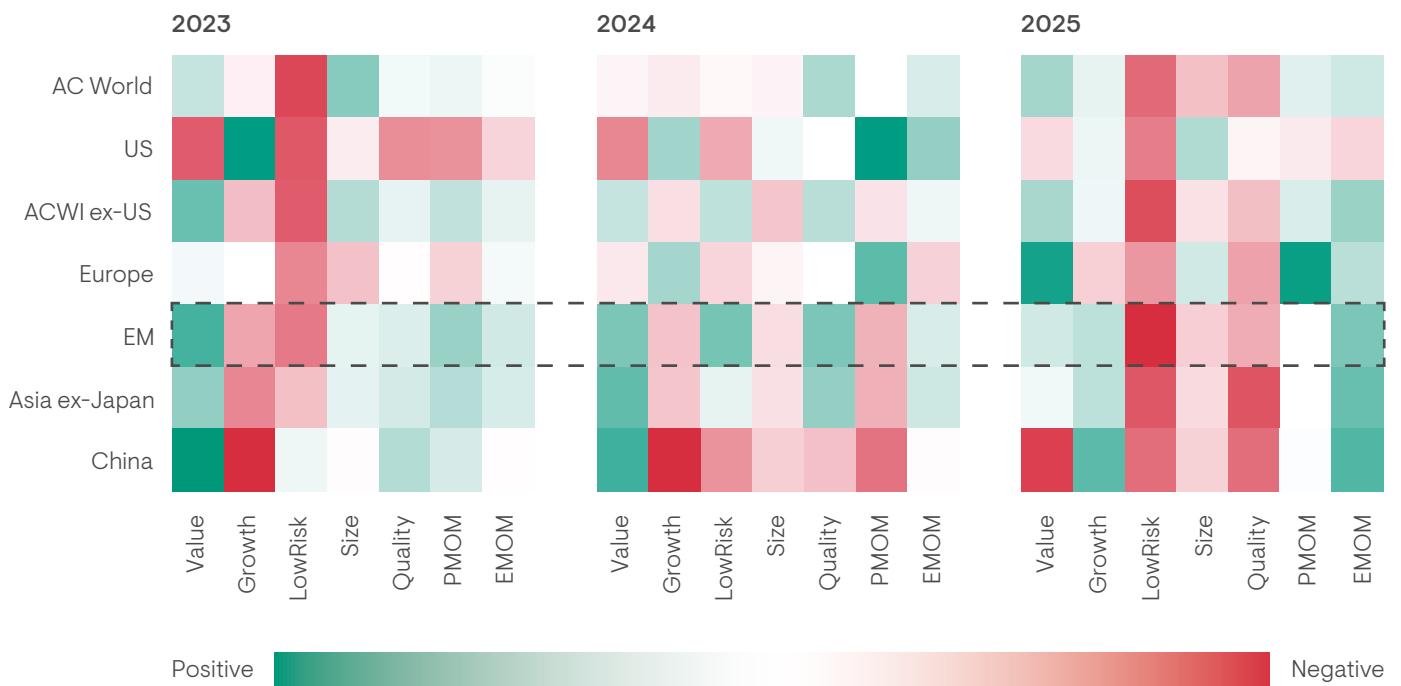
Source: Morningstar Direct, December 2025. For further information on indices please see the important information section.

Style rotations reinforce the case for an all-weather approach.

## Broadening out of styles

Reinforcing the point, the following heatmap shows how leadership across EM equity styles has broadened (Figure 2), with a wider spread of factors coming to the fore. In other words, equity-market leadership in emerging markets is changing more often and across a wider group of stocks. In such an environment, we believe the flexibility to allocate across value, growth, quality and momentum exposures is essential.

Figure 2: Evidence of change in global markets



Source: Citigroup, as at 31 December 2025. Data shown without degree of magnitude for illustrative purposes only, indicating the relative performance of stocks within the top quartile of the respective style baskets as defined by Citi Research. PMOM = Price momentum, EPOM = Earnings momentum.

We believe the flexibility to allocate across value, growth, quality and momentum exposures is essential.

## How 4Factor implements a core approach

For 25 years, 4Factor has delivered core equity solutions grounded in a consistent philosophy and process. Our approach targets market inefficiencies using four factors - quality, value, operating performance and investor attention - that have proven effective across time and regions. As a core manager, we maintain balanced style exposures, recognising that markets move in cycles and that consistent performance requires adaptability. We aim to mitigate style risk and deliver alpha consistently across market regimes through disciplined stock-specific risk taking.

According to eVestment data, across the global equity universe spanning all styles and disciplines, only c.25%<sup>1</sup> of global managers have delivered positive alpha through the varied market conditions in 2024 and 2025, of which we are one. Of that cohort, Ninety One features among the leading core fundamental managers, underscoring the strength of our approach to variable market conditions. By blending value, growth, quality and momentum, we aim to mitigate style risk and deliver alpha consistently across market regimes through disciplined stock-specific risk taking.

### Taking the right kind of risk

Active risk is often equated with concentration. However, the number of holdings in a portfolio does not, by itself, determine how risk is expressed. What matters is whether active risk stems from idiosyncratic company insights or from broader sector, country or style exposures. As Figure 3 illustrates, the 4Factor Emerging Markets Equity Strategy has historically maintained a risk profile where stock-specific risk drivers dominate outcomes. We actively minimise exposure to risks we do not expect to be compensated for, such as broad country or style effects.

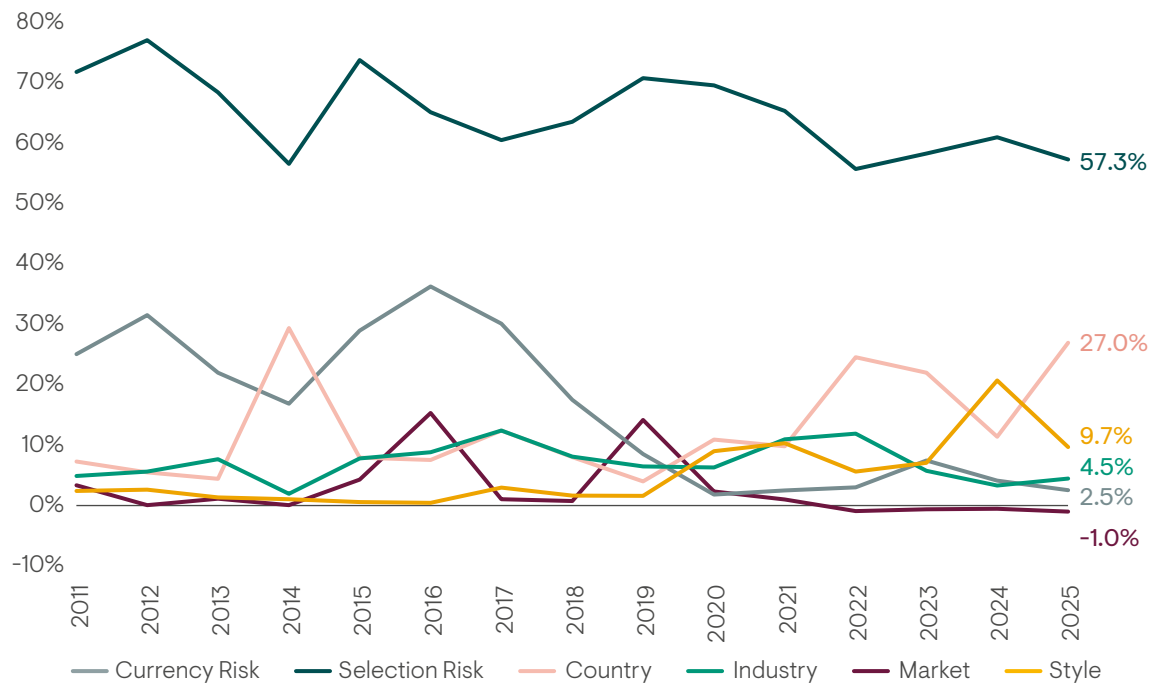
Instead, the 4Factor process focuses on identifying and understanding the key drivers that matter for share-price performance over the next 12 to 24 months, with particular attention paid to marginal rates of change: improvements or deteriorations that tend to be mis-modelled by consensus.

Through disciplined risk management, we aim to avoid reliance on a few outsized positions to drive excess returns, seeking instead to generate alpha from a broad range of holdings.

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1. Source: eVestment, December 2025, eVestment All Global Equity universe, Strategies benchmarked to MSCI ACWI, excludes dedicated sustainable and thematic strategies, and dedicated small/mid cap strategies. Shows strategies defined as 'core' by strategy type. 347 strategies listed, with 89 generating positive returns in 2024 and 2025. Ninety One is further defined as 'fundamental' by investment approach on eVestment.

Figure 3: Stock specific risk is the dominant source of active risk



Source: Ninety One, 31 December 2025, data shown calendar year. Based on the Lux SICAV vehicle. For further information on investment process, please see the Important Information section.

Figure 4 shows the excess return and tracking error of a sample of managers, spanning value, growth, active quant and fundamental strategies over a rolling three-year period. The core fundamental managers, which include the Ninety One 4Factor Emerging Markets Equity Strategy, have tended to deliver better risk-adjusted returns. In our view the chart highlights that, as market leadership has broadened and style rotations have accelerated, balanced style-agnostic core approaches are better able to capture opportunities and navigate evolving market conditions.

Figure 4: Ninety One Emerging Markets Equity’s rolling three-year TE and IR versus peers



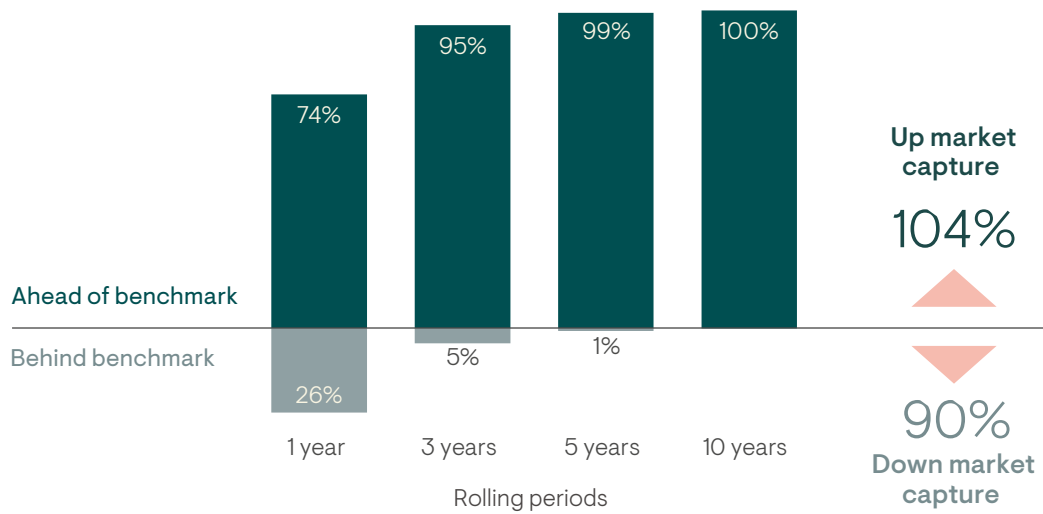
Source: Ninety One, eVestment, Gross Returns, December 2025. Returns are in USD.

## Resilient batting averages

‘Batting average’ refers to the percentage of time a strategy outperforms its benchmark. This metric offers insight into the consistency of returns. Figure 5 shows that the 4Factor Emerging Markets Equity Strategy has outperformed its benchmark in 95% of rolling three-year periods, 99% of rolling five-year periods, and 100% of rolling 10-year periods over its 25-year track record. We believe this reflects the repeatability of our process, style-agnostic approach and focus on stock-specific risk.

Since inception, the Strategy has also exhibited a positive market capture ratio – on average it has outperformed when markets are rising, and avoided some of the declines when markets are falling.

Figure 5: Batting averages and market capture since inception



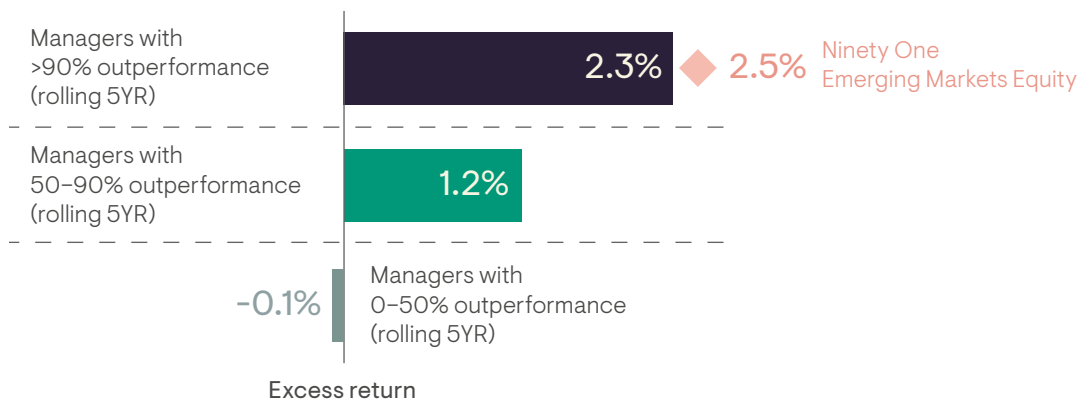
Past performance is not a reliable indicator of future results, losses may be made.  
 Source: Ninety One, 31 January 2026. Performance is gross of fees (returns will be reduced by management fees and other expenses incurred), income reinvested, in USD. 4Factor Emerging Markets Equity inception date: 1 April 2010. Benchmark: MSCI Emerging Markets NDR. For further information on indices please see the Important information section.

## The power of compounding

We believe that an all-weather core approach can allow investors to benefit from the power of compounding. Figure 6 shows that managers who deliver >90% consistency in excess returns (i.e., who have higher batting averages) perform better than managers who are less consistent (have lower batting averages).

In other words, we believe that a balanced core approach can help long-term investors capture opportunities, manage risks and pursue more stable outcomes in EM equities, amid the volatility and structural shifts shaping today’s markets.

Figure 6: Consistent managers delivered nearly 2x the alpha in global equities



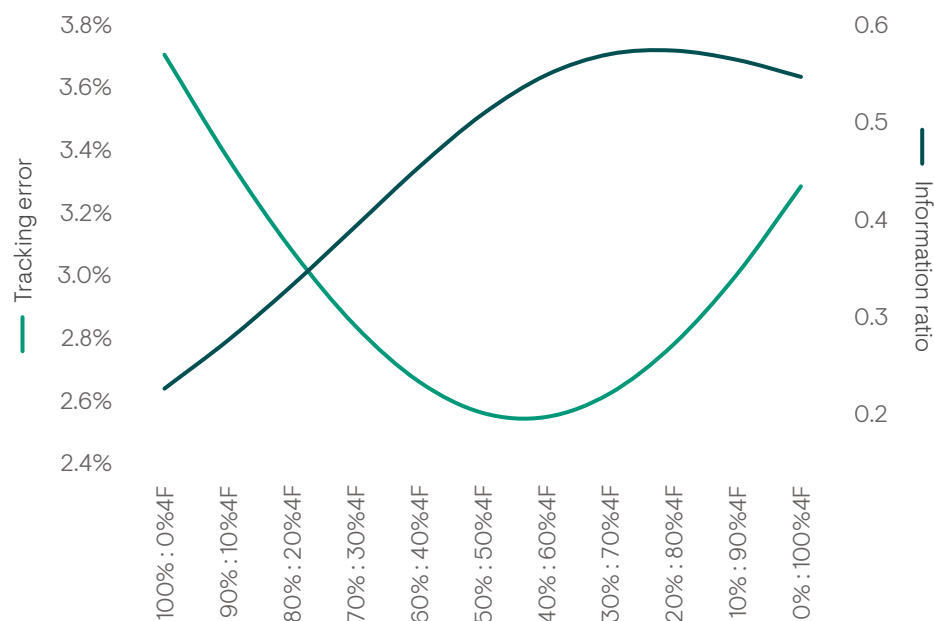
Past performance is not a reliable indicator of future results, losses may be made.  
 Source: eVestment, December 2025. eVestment Global Emerging Mkts Equity Universe, Gross Returns. Managers shown offer a track record since Ninety One Inception. Performance refers to since Ninety One Inception excess returns vs. MSCIEM.

## Adding 4Factor EM Equity to a portfolio

In an uncertain macro environment, many allocators are favouring a barbell approach: maintaining defensive exposures while selectively adding higher-conviction risk positions. Within equities, this can result in portfolios that include both growth and value styles.

To illustrate how 4Factor can complement such an equity allocation, we modelled (Figure 7) the effect of blending the strategy into a portfolio split 50/50 between EM Value and EM Growth. Adding the style-agnostic 4Factor Emerging Markets Equity strategy reduces the overall portfolio's tracking error for allocations up to approximately 60%. In our model, adding the strategy also leads to a higher overall portfolio information ratio. This reflects 4Factor's significantly higher information ratio compared with the initial Value/Growth portfolio.

**Figure 7: Blending analysis**



Past performance is not a reliable indicator of future results, losses may be made. Source: eVestment, December 2025. Performance covers a 10yr trailing period and is net of fees. Managers shown are the largest EM Value and EM Growth strategies, by AUM, in the eVestment Global Emerging Markets Equity Universe, where value and growth are tagged as the primary style exposures. Actual events may be different, perhaps materially, from those presented. No investor or client of the Firm has actually experienced the hypothetical results presented. Additional and supporting information is available upon request. For further information on Model return results, please see the Important information section.

## Emerging markets equities: A resurgence of core

To illuminate why blending 4Factor into the model growth/value portfolio results in improvements in tracking error and information ratio, the following table compares the characteristics of the 4Factor Emerging Markets Equity portfolio and the Value/Growth portfolio. The former outperformed on almost all metrics in the three years to end-December 2025.

<b>Portfolio characteristics (10 years to 31/12/2025)</b>	<b>Value manager</b>	<b>Growth manager</b>	<b>50% Growth &amp; 50% Value</b>	<b>Ninety One Emerging Markets Equity</b>
Excess return	2.3	-1.1	0.7	1.7
Sharpe ratio	0.5	0.3	0.4	0.5
Tracking error	6.3	3.4	3.7	3.3
Information ratio	0.4	-0.3	0.2	0.5
Up capture	99.5	98.9	99.4	105.9
Down capture	90.1	103.4	96.7	98.8

Past performance does not predict future returns; losses may be made.

Source: eVestment, December 2025. Returns are in USD, Performance is gross of fees. With income reinvested.

## Looking to the future

2025 was a strong year for EM equities, with the MSCI Emerging Markets Index returning 34% in US dollars, significantly outperforming the 22% return of the MSCI ACWI global equity benchmark.

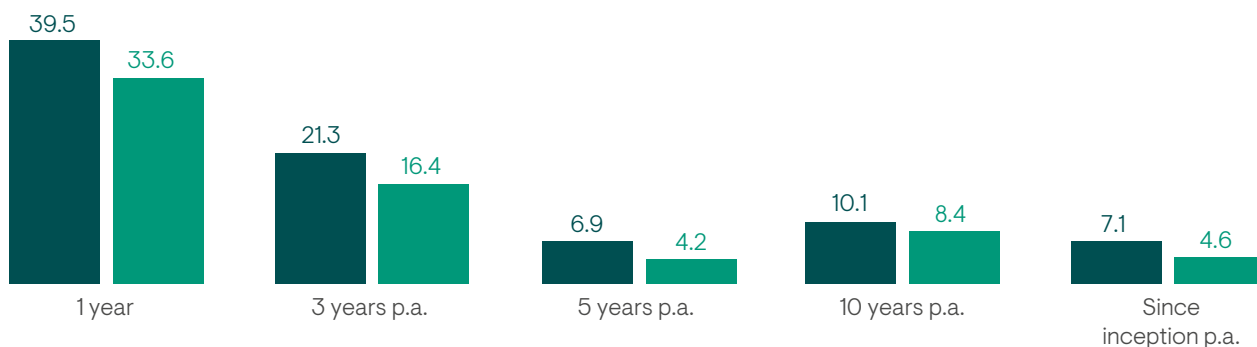
After many years of US equity market dominance, there are several reasons to believe that we may be entering a new regime for the relative performance of emerging markets and developed markets equities. First, the US dollar may have entered a new cycle after a long period of strength; historically, the US dollar has had an inverse relationship with EM equities. Second, earnings at EM companies are improving, which in the past has been a positive signal for equity returns. Finally, valuations are supportive: the relative value of EM equities vs. US equities is at a low point.

In short, we believe the conditions that have shaped the relative performance of EM and developed market equities over the past decade and more are changing in favour of EM stocks. But it is important to structure an allocation carefully to manage the cyclical and volatility of the asset class. We believe an all-weather, core approach – one that makes stock-specific risk the primary driver of alpha and seeks to minimise exposure to market-regime shifts – can help investors capture opportunities, manage risks and pursue more resilient outcomes in EM equities.

# Appendix 1

## Strategy composite performance (USD)

Figure 8: Trailing (%)



Calendar (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Composite (gross)	8.3	42.1	-15.2	22.0	17.2	0.5	-21.9	11.5	14.7	39.5
Benchmark	11.2	37.3	-14.6	18.4	18.3	-2.5	-20.1	9.8	7.5	33.6
Active return	-2.9	4.8	-0.7	3.6	-1.1	3.0	-1.8	1.7	7.2	6.0

Past performance does not predict future returns; losses may be made.

Source: Ninety One, 31 December 2025.

Performance is gross of fees (returns will be reduced by management fees and other expenses incurred), income is reinvested, in USD.

Performance start: 1 April 2010.

Strategy: Emerging Markets Equity.

Benchmark: MSCI Emerging Markets NDR. Indices are shown for illustrative purposes only.

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