

Portfolio Positioning Highlights

Finding opportunities in China. We continued to increase exposure to the market during the month, moving from an underweight to an overweight relative to the benchmark. We added to several existing holdings, including shopping and delivery platform Meituan and e-commerce giant Alibaba Group Holding. Meanwhile, we reduced exposure to India through trims such as food delivery firm Zomato and travel company MakeMyTrip. At month-end, Brazil and South Africa were among our largest overweights, while Taiwan, Malaysia and India were significant underweights. From a sector perspective, health care, consumer discretionary and financials were among our largest overweights.

Market Review

Emerging markets (EM) equities declined in a turbulent October. EM stocks underperformed developed markets during a global equity sell-off, amid heightened uncertainty around the U.S. election. Shifting expectations led some investors to price in risks associated with potentially increasing U.S. tariffs, especially on China, where a recent rally stalled. The U.S. dollar's broad gains further weighed on markets.

Volatility in China and India drove the EM retreat. Chinese stocks underperformed as government policy specifics failed to live up to expectations, focusing more on risk mitigation than growth stimulation. Investors waited for more clarity and detail on stimulus measures. Indian equities pulled back sharply after a strong year-to-date rally, weighed down by slightly weaker-than-expected quarterly earnings results.

Taiwan was the only EM to advance. Taiwanese stocks broadly gained in October, bolstered by strength in technology stocks, especially those linked to artificial intelligence. AI sentiment recovered after a sharp third-quarter pullback. Rising adoption of Edge AI, which runs on smartphones and PCs rather than a centralized server, helped alleviate investors' concerns.

Key Contributors

Shenzhen Envicool Technology. Shares of the climate and environmental control company advanced after being mentioned in chipmaking giant NVIDIA's ecosystem. Analysts raised long-term forecasts amid progress in Envicool's overseas expansion, proof of competitiveness (through NVIDIA's recognition) and strong quarterly results.

Alibaba Group Holding. An underweight position contributed to relative returns as the stock was weak with the Chinese equity market. Further, retail sales growth in China remained challenging, with recent government data missing expectations.

Key Detractors

Shriram Finance. The India-based nonbanking finance company's (NBFC's) shares declined during the month amid concerns surrounding asset quality in a challenging environment.

Hon Hai Precision Industry. Not owning the Taiwan-based contract electronics manufacturer, also known as Foxconn Technology Group, weighed on relative performance as shares rallied during the month.

Notable Buys

There were no new purchases during the period.

Notable Sells

No positions were liquidated during the period.



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