

## Performance Highlights

**Finding opportunities in China.** We continued to increase exposure to the market, moving from an underweight to an overweight relative to the benchmark. We took a new position in real estate platform KE Holdings and added to several existing holdings, including shopping and delivery platform Meituan and e-commerce giant Alibaba Group Holding. Meanwhile, we reduced exposure to India, from an overweight to an underweight. At month-end, South Africa, China and Thailand were among our largest overweights. South Korea and Indonesia were sizable underweights. From a sector perspective, consumer discretionary, real estate and consumer staples were among our largest overweights. We remained underweight to materials, utilities and financials.

## 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

**Taiwan Semiconductor Manufacturing Co.** TSMC continued to deliver on its leading industry position, which is only strengthening in our view, due to the company's technology leadership. We expect TSMC will likely continue to benefit from increasing artificial intelligence demand.

**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

**Bajaj Auto.** The two- and three-wheeler vehicle maker's shares declined with the Indian stock market. While Bajaj's second-quarter results were only marginally weaker than expected due to lower average selling prices, investor sentiment shifted amid concerns about signs of a slowdown in the two-wheeler market.

**NetEase.** The China-based internet and gaming firm's shares declined amid concerns surrounding weak mobile game revenues. Analysts lowered estimates for NetEase's mobile game business, due to the lackluster performance of a recent new title and increasing contribution from lower-margin games.

## Notable Buys

**KE Holdings.** We initiated a position in China's largest real estate brokerage platform (also known as Beike), which offers new and existing home transactions as well as renovation- and rental-related services. We believe the company is well positioned for a property market recovery and to gain market share.

## Notable Sells

**Arabian Contracting Services.** The advertising provider has experienced a material drop in sales and declining margins, resulting in lower revenue assumptions.

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