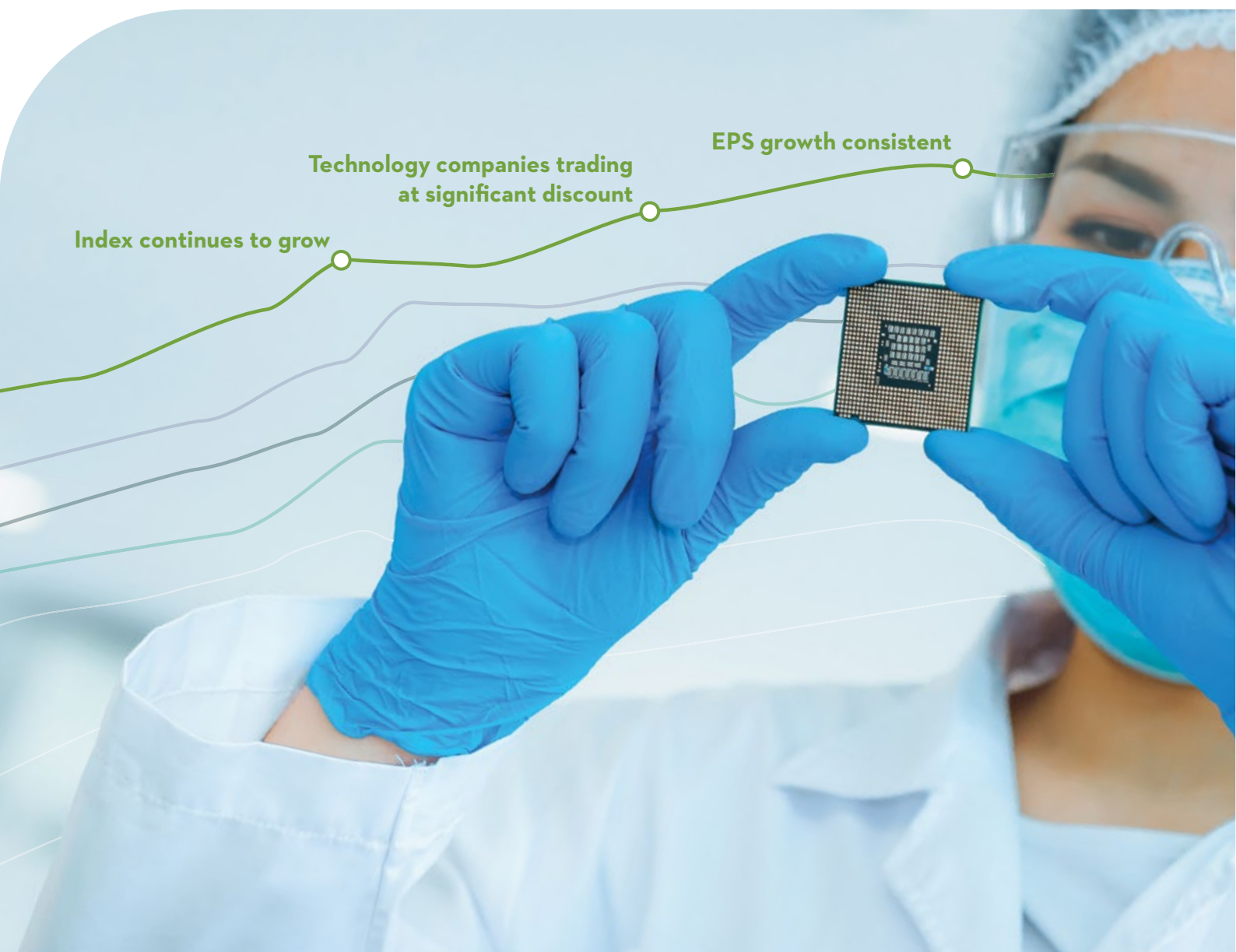
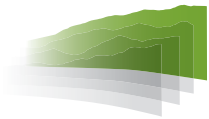


AUGUST 2024

For institutional investors in the US only

TECHNOLOGY





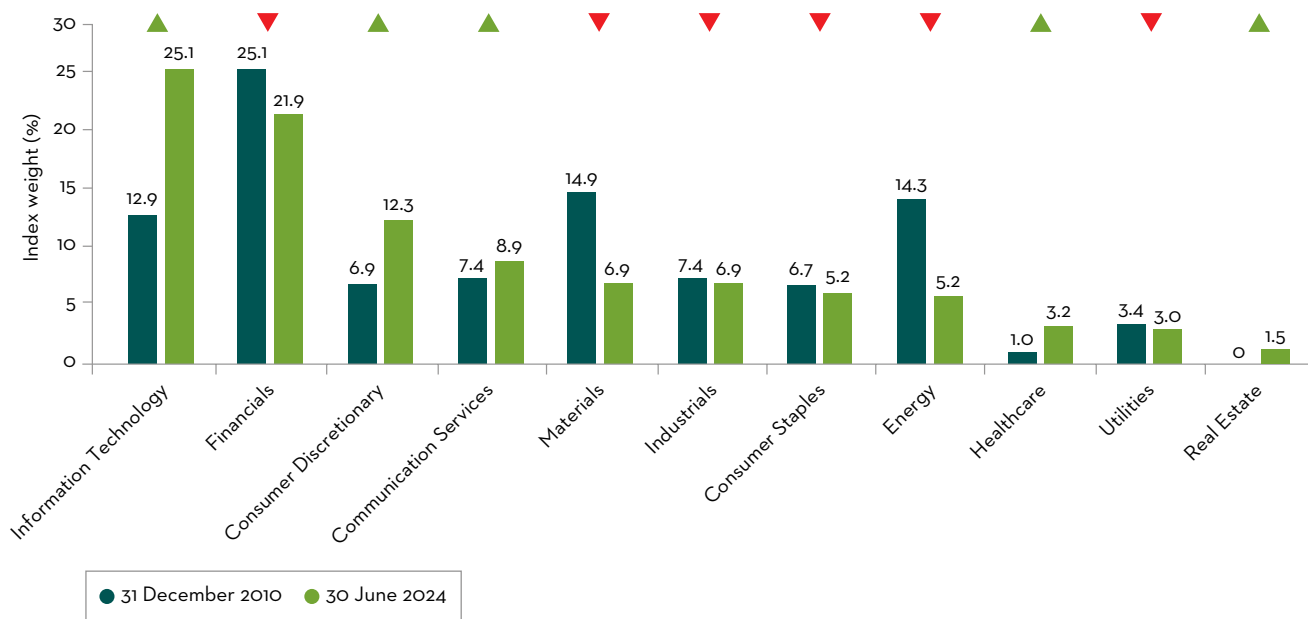
GLOBAL LEADERSHIP FROM EMERGING MARKET (EM) COMPANIES WILL BE INSTRUMENTAL IN DRIVING THE GROWTH OF THE ASSET CLASS

- EM technology companies have experienced significant growth, evolving the shape of the asset class - it is now the dominant sector in EM
- The growth in the sector has been driven by high quality companies delivering earnings growth
- Consensus earnings growth expectations for EM technology remain high, with more attractive growth and valuations compared to nearest competitors, US technology
- The volume of innovation should support further growth in EM technology compared to other regions

Technology has grown to be the dominant sector in EM

Technology represents almost a quarter of the MSCI EM Index. It has almost doubled in size in since 2010 due to its positive performance and has been the best performing sector over the long term.¹ This is reflective of the broader change in the shape of the asset class over the past 15 years. EM are no longer dominated by commodities and cyclicals - the asset class has global technology leaders that offer innovative products and services, as well as domestic companies which are capitalising on enhancements in digitisation.

Evolution of EM sectors from 2010 to 2024



Source: FactSet, as of 30 June 2024.

¹Source: FactSet, as of 30 June 2024.

“The asset class has global technology leaders that offer innovative products and services”

A technology sector comprised of high quality and strong growth companies

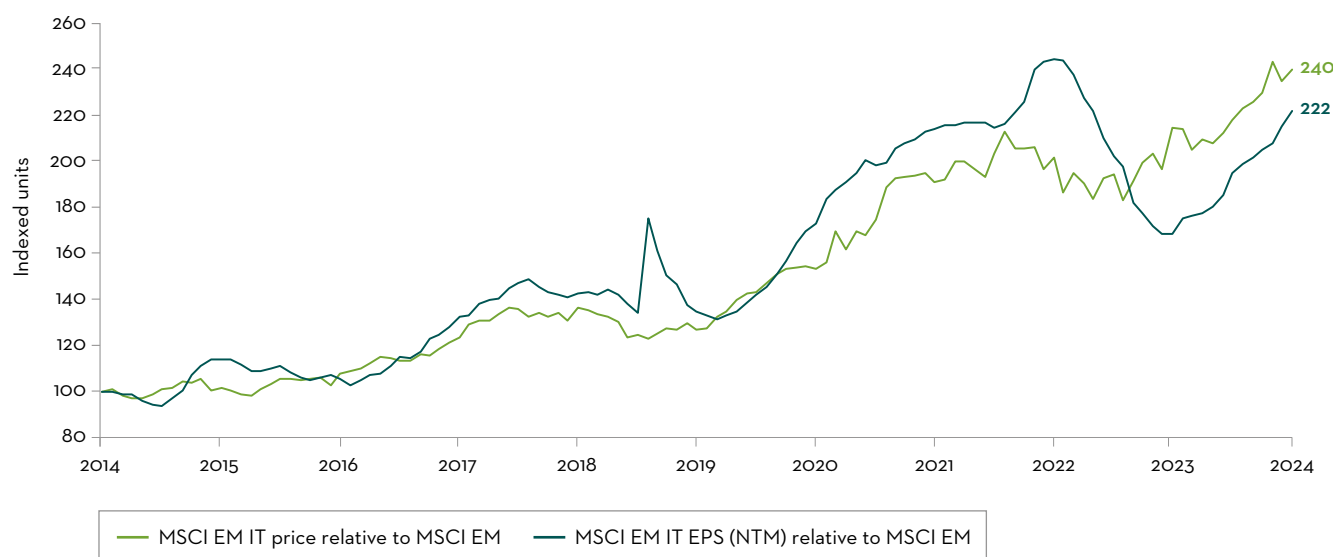
The technology sector in EM has grown significantly over the past 10+ years, exhibiting higher and more consistent Returns-on-Equity (ROE), while traditional sectors such as energy and materials, have shown structurally lower and more volatile returns. The net result is a significant upgrade in quality within the MSCI EM Index and is generally positive for the asset class.

Sector		Index weight difference 2010-2023 (%)	Average ROE (%)	Average volatility ROE (%)
Technology	▲	9	20	3
Materials	▼	(7)	15	8
Energy	▼	(9)	14	4

Source: Barra, MSCI Emerging Markets Index as of 31 December, 2010 and 31 December, 2023.

The technology sector is forecasted to deliver strong earnings as well. With cloud computing and the rise of artificial intelligence (AI), we believe we are at the beginning of another technology investment wave. Semiconductors will be at the forefront of this earnings super cycle with revenues being powered by growth in both volumes and pricing. AI investment is more memory intensive and the pricing of the AI offering is at a significant premium to traditional semiconductor end-markets (i.e. handsets, PCs, industrial use).

MSCI EM technology price and earnings vs. MSCI EM



Source: FactSet, as of 31 May 2024. Earnings per Share using Next Twelve Months (NTM) Earnings.

“With cloud computing and the rise of artificial intelligence, we believe we are at the beginning of another technology investment wave.”

EM technology is set to continue compounding high returns and growth to close the valuation, reflective of its global leadership

The US technology industry has remained firmly in the headlines of mass-media with its recent strength and investors could certainly get exposure to the sector through the US market. We believe that this would be missing an opportunity though. EM technology offers higher growth at a lower valuation than the US, which is home to its nearest peers. With cloud computing and the rise of AI, we believe we are at the beginning of another technology investment wave. Earnings Per Share (EPS) growth over the next two years for EM technology is 45%. While the growth runway is impressive for EM technology, it trades at a ~40% discount to US technology with over double the earnings growth.

MSCI Index	P/E (NTM)	EPS Growth 2023-2025 (%)
EM Technology	16x	45
US Technology	29x	23

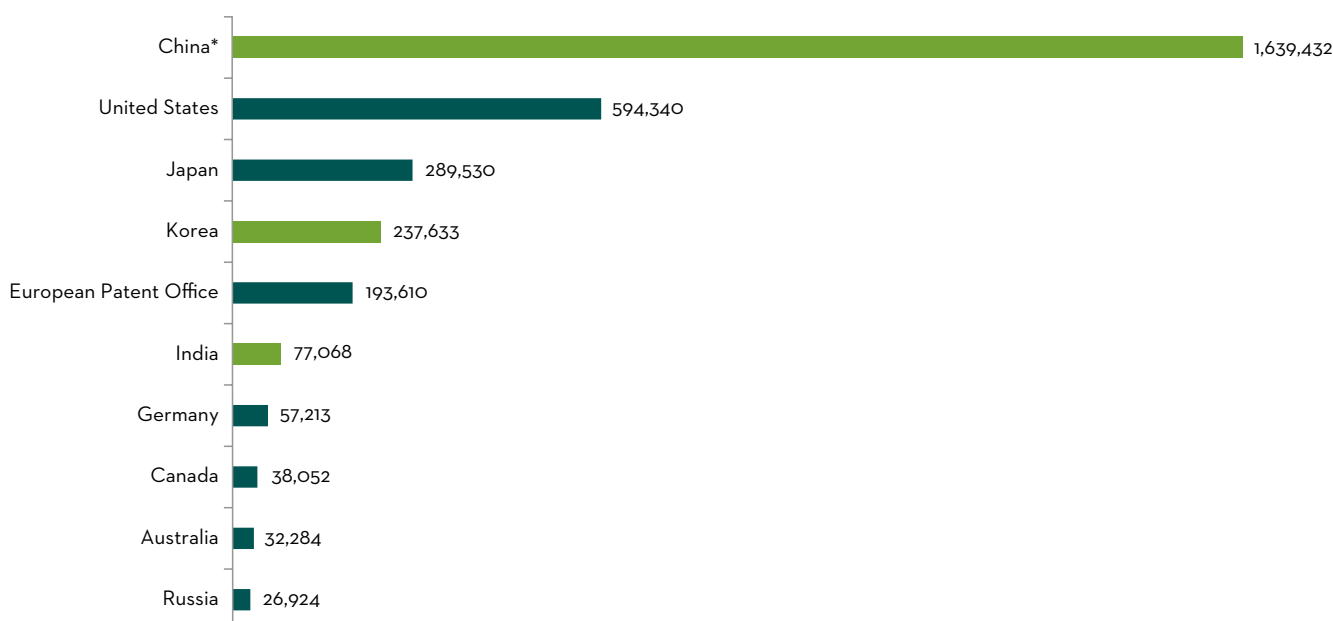
Source: FactSet as of 21 June 2024. Price-to-Earnings (P/E) using Next Twelve Months (NTM) Earnings and the Earnings per Share (EPS) Growth measured using the Compound Annual Growth Rate (CAGR) over two years from 2023 to 2025, for the MSCI Emerging Market Technology Index and MSCI US Technology Index.

With superior earnings growth, high quality, competitive valuation, and bigger weighting in the index, we believe that the sector's contribution will be impactful in the years to come. We think the valuation gap between EM technology and US technology will close.

What makes EM technology so special?

There are more factors at play than simply an attractive price and individual company fundamentals. By exploring more unconventional sources of research, we can see that innovation is a core part of EM. Of the top 20 countries with the most patent applications in 2022, only half are developed market countries. The remainder are emerging and frontier markets. Half of the top six are key emerging market economies: China, Korea and India. These three countries alone represent half of the MSCI EM Index.² The volume of applications in China alone is almost triple that of the US. The number of patent applications is just one indicator of thriving research/development in both private and public sectors. This suggests that the innovation runway within technology is strong for the years to come.

Largest 10 national patent offices with number of patent applications in 2022



Source: Statista and World Intellectual Property Indicators as at November 2023. *China includes Hong Kong SAR.

²Source: FactSet, July 2024.

Technology shaped the evolution of the EM landscape and is positioned to drive its strength in the coming years

Technology in EM has gone from strength to strength - it has evolved to be the most dominant sector in the index by consistently delivering on earnings. Compared to a decade ago, its index weight has doubled so now its relative contribution to index performance is even more impactful than before. The sector is composed of high quality companies with stronger earnings growth expectations and more attractive valuations than its nearest peers - the US technology industry. We think this valuation gap versus the US can close. We believe EM technology will continue to compound its high returns and growth and achieve the valuation which is reflective of its global leadership. This global recognition of EM technology's leadership and the companies' delivery of earnings growth is what can turn the tide for EM as a whole, helping to navigate towards an exciting future.

“Technology in EM has gone from strength to strength”



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- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.

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