The following transcript was recorded on July 6th, 2026. This transcription is believed to be an accurate summary of the live call, but may contain some minor differences from the speaker's exact language.

Hello, I am Rakesh Bordia. I am one of the co-portfolio managers on our emerging markets focused value strategy. Last quarter was an exceptional quarter for emerging markets.

Overall, the stocks were up but was primarily driven by very strong performance from the technology sector. Almost 90% of emerging markets returns came from the technology sector and interestingly within that three stocks Taiwan Semi, Samsung and SK Hynix drove almost 3/4 of those returns. As a result, growth significantly outperformed value stocks in the quarter.

Our portfolio contributed positive absolute returns but significantly underperformed both the EM index and the EM value index primarily by our underallocation to the tech sector in Korea and Taiwan as well as our underallocation to the three positions that really outperformed during the quarter on an absolute basis.

Our biggest contributors were of course in technology, Samsung and Taiwan Semi. Samsung has been fairly strong over the last year as DRAM prices have significantly increased driven by shortage in the memory space across the world. DRAM prices are up almost 3 to 4x in the last 12 months.

That has driven significant profit growth at all the DRAM companies including Samsung. We believe DRAM continues to be a commodity business which will realign to its long-term returns as these companies add supply capacity and there is demand response from its customers. As such we capitalized on this strong performance from Samsung and trimmed it during the quarter.

The other name which was very strong in the quarter was Taiwan Semiconductor which continued to benefit from significant growth in AI-driven technology manufacturing. Whether the growth in AI comes from GPU or the CPU side, Taiwan Semi will continue to be a strong supplier to those markets as it is a dominant player in that space. As a result, Taiwan Semi showed great growth and significantly improved gross margin and the stock benefited from those financial improvements.

We trimmed the position on strength as a result as well. The other contributor in the quarter was OTP Bank which is a bank in Hungary. It benefited from strong net interest margin growth, better credit quality as well as strong loan growth. We trimmed OTP Bank as well in the quarter. On the detractor side, the strongest detractors were companies where there is concerns from AI disruption. The two strongest detractors were Cognizant and Globant which are IT services companies. There is deep concern in the market that AI will significantly impact IT services and as a result the whole sector was very weak in the quarter. We believe that's a severe overreaction.

Most companies need strong partners in implementing AI deployment at their companies and these IT services companies which have strong domain expertise should be strong partners in implementing AI solutions for these businesses. Globant for example has strong domain expertise in user interface. It has strong talent pool driven by a relative monopoly in IT services in Latin America, is in the same time zone as the US, has language capabilities beyond English and so is very well positioned to help its customers make the journey of implementing AI solutions for their businesses.

The other big detractor in the quarter was Alibaba where the market is concerned about two key issues. They are spending a lot of money in cloud expansion with relatively low returns right now as well as their losses in the quick commerce business have been increasing a lot. The overall Chinese consumer sentiment was also weak in the quarter.

In the quarter we added two new positions to the portfolio. KE Holdings is a real estate brokerage and services company. It has been fairly weak due to the weakness in the real estate market. But we believe as the transaction volume picks up in real estate, KE Holdings should significantly benefit and improve its profitability driven by transaction volume growth.

The other position we added in the portfolio was Kunlun Energy which is a city gas distributor and an LNG terminal company. The company has a very strong balance sheet. It is very well positioned in the western markets in China where there is more growth of gas going forward and the current weakness in the Chinese macro fundamentals gave us a great opportunity to buy a stock at good valuation.

This was a very difficult quarter from a relative performance standpoint for the portfolio. At the same time, there was significant dispersion in the quarter which drove technology sector to a new high whereas all the other sectors lingered. We believe this momentum-driven concentrated market growth eventually gives way to broader participation and this high dispersion is a perfect opportunity for us to identify great businesses, exceptional valuations.

We continue to focus on company specific research, company specific fundamentals and company specific risk as we find this level of dispersion as an excellent fishing ground for opportunities where we can find great businesses at very low valuations. Thank you very much.

Further Information

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