

Why Emerging Markets Equities Now?

As a new cycle unfolds for emerging markets (EM) equities, we believe the asset class is becoming more attractive and that themes that drove performance in 2023 will continue to shape market behavior.

1

The Macro Backdrop Could Be Supportive

Macroeconomic fundamentals are improving throughout most of the EM universe, and EM central bankers are eager to transition to a more accommodative monetary policy now that inflation concerns have faded. But their ability to stimulate has been constrained by a U.S. economy that produced high interest rates and a strong U.S. dollar. But the recent decline in U.S. inflation and softening dollar suggest that a more constructive backdrop for EMs is developing.

2

Compelling Opportunities Exist in India and AI

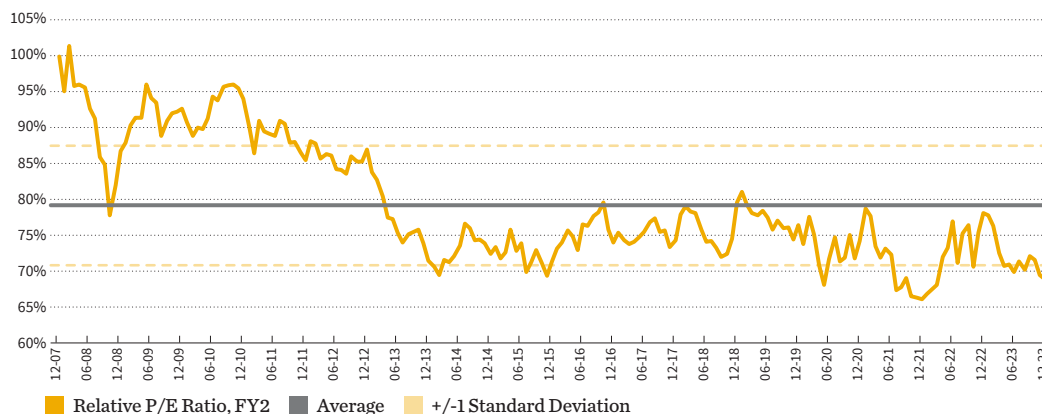
With its share of global gross domestic product (GDP) growth approaching 20%, India has surpassed Taiwan and South Korea to become the second-largest component of the MSCI EM Index. Inflation has cooled, interest rates are no longer rising, and both public and private sector capex appear to be entering an upcycle. But Taiwan and South Korea still have a lot to offer, being perhaps the purest way for investors to participate in the burgeoning AI hardware industry.

3

Relative Valuations Are Below Long-Term Averages

Despite improving fundamentals in EMs, EM equity valuations appear attractive versus developed market equities (including the United States). EM equity valuations relative to the MSCI World Index are currently around one standard deviation below the longer-term average.

MSCI EM Index P/E Ratio Relative to MSCI World Index P/E Ratio



Sources: FactSet, MSCI, and William Blair, as of December 31, 2023.

Interested in participating in the possibilities presented by emerging markets?

Emerging Markets Growth Fund



Emerging Markets Leaders Fund



Emerging Markets Small Cap Growth Fund



Important Disclosures

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The **MSCI Emerging Markets (EM) Index** captures large- and mid-cap representation across 27 EMs. The **MSCI World Index** captures large- and mid-cap representation across 23 developed markets. Indices are unmanaged and do not incur fees or expenses. A direct investment in an unmanaged index is not possible.

Price-to-earnings (P/E) ratio is a measure of valuation. It relates the price of the stock to the earnings per share (EPS) of the company. A stock with a higher P/E ratio would be considered more expensive relative to another stock with a lower P/E.

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