

Overweight Latin American Equities/Underweight Emerging Markets Equities

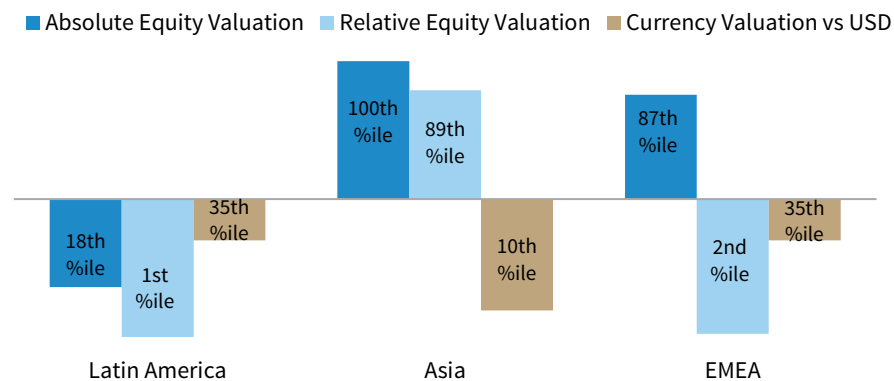
Recommended since June 30, 2025

Investment thesis: We expect Latin American (LatAm) equities to outperform broader emerging markets (EM), driven by attractive valuations, limited direct exposure to US trade policy disruptions, and strong structural tailwinds such as commodity demand and improving policy environments. While political risks in the region persist, the trade should benefit from more moderate exposure to recent Middle East developments than other EM regions. Ongoing reforms and significant capital inflows also support a constructive outlook for the region.

Key support 1: LatAm equities trade at a 54% discount to broader EM—one of the most attractive levels on record, partly due to richer valuations in Asia. Historically, such starting points have been associated with strong subsequent performance. Momentum has rebounded sharply from oversold conditions in 2024, and this combination of compelling valuations and renewed momentum supports the outlook for continued outperformance.

Equity and currency valuations of major EM regions

As of February 28, 2026 • Percentile relative to trailing 20-yr history

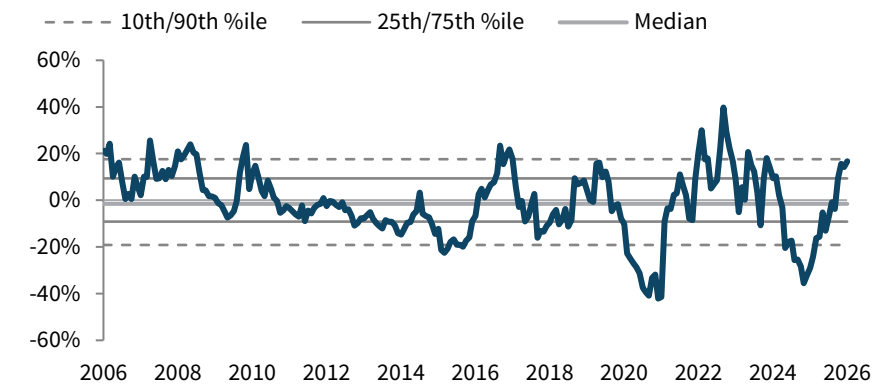


Key support 2: LatAm should be relatively insulated from geopolitical disruptions (e.g., US trade policy or the Iran War) and is well positioned to benefit from global structural themes. The region tends to run trade deficits or modest surpluses with the United States, in contrast to the export-heavy Asia region. LatAm equities are under-owned and attractively valued. In addition, LatAm's significant commodity wealth—particularly in copper, lithium, and nickel—positions the region to benefit from global trends, such as AI and electrification.

Key risks: Political and fiscal risks remain elevated. Upcoming major elections could provide market volatility, especially the October Brazilian election given the country's large weight within the LatAm index. Fiscal deficits, and elevated rates present additional challenges. Further US tariffs or intervention, particularly in Mexico potentially as part of USMCA review negotiations, could disrupt markets.

12-month relative price momentum: Lat Am vs EM

June 30, 2005 – February 28, 2026 • Percent (%)



Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Equity valuations are based on the cyclically adjusted price-to-cash earnings ratio (CAPCE) using five-year trailing average real cash EPS. Relative equity valuations for the EM regions are compared to broader EM. Currency valuations are based on equal-weighted baskets of real exchange rates versus the US dollar for 20 of the 24 countries within the MSCI Emerging Markets Index. Greece (which uses the euro), Qatar, Saudi Arabia, and United Arab Emirates (which employ a fixed rate versus the US dollar) are excluded.