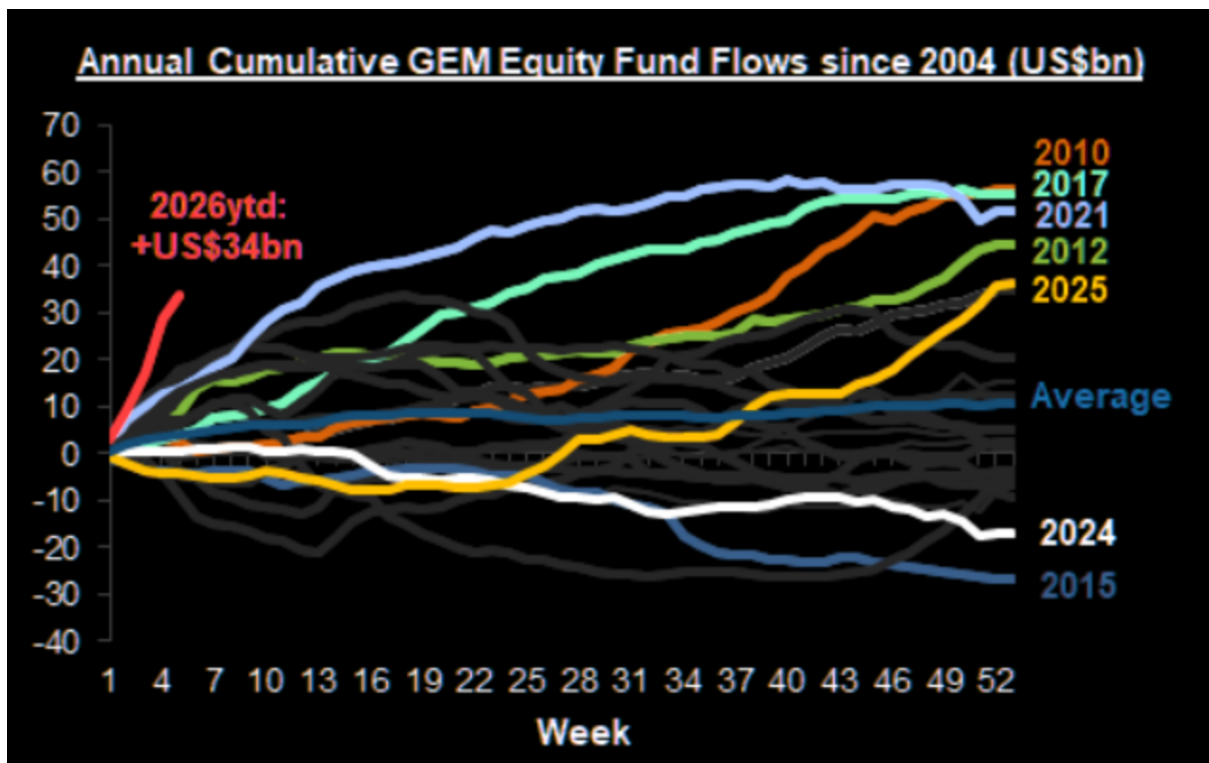


## EME place to be?

### Why EM is outperforming and may very well continue to

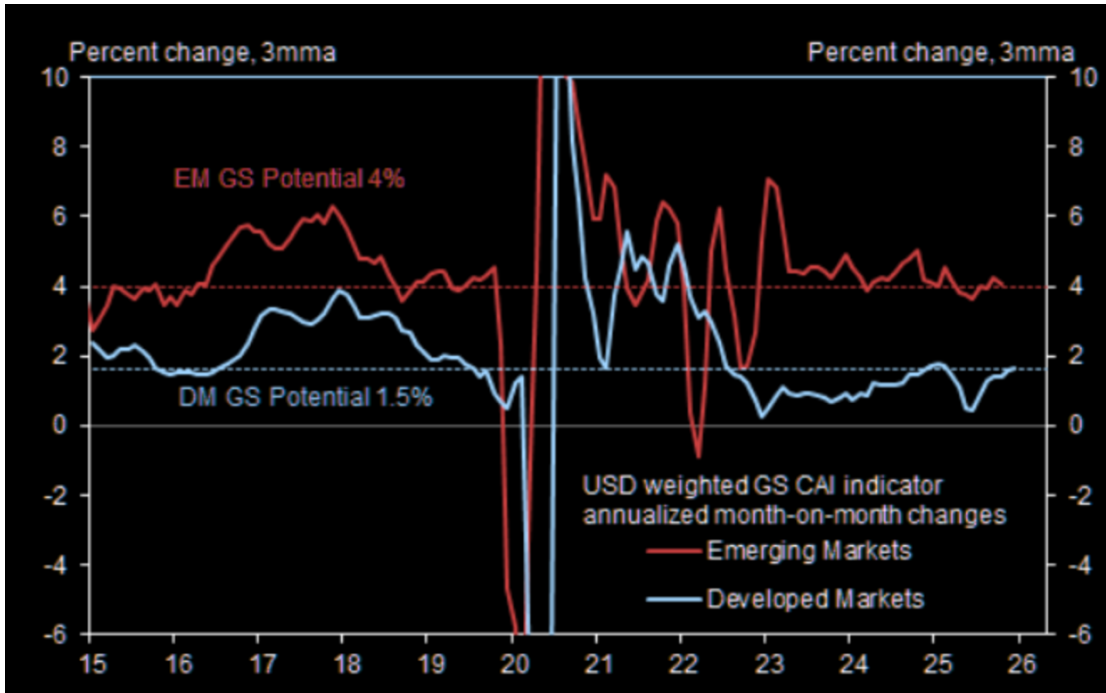
- Strong inflows and still-light positioning are driving a rotation back into emerging markets
- Growth remains resilient, supporting earnings and overall market performance
- Many EM central banks are ahead in the easing cycle, with improving financial conditions
- The macro backdrop is strengthening, supported by better liquidity and policy support

### GEM funds have marked the fastest pace of buying since 2004



Source: EPFR

### Growth in EM is expected to be strong

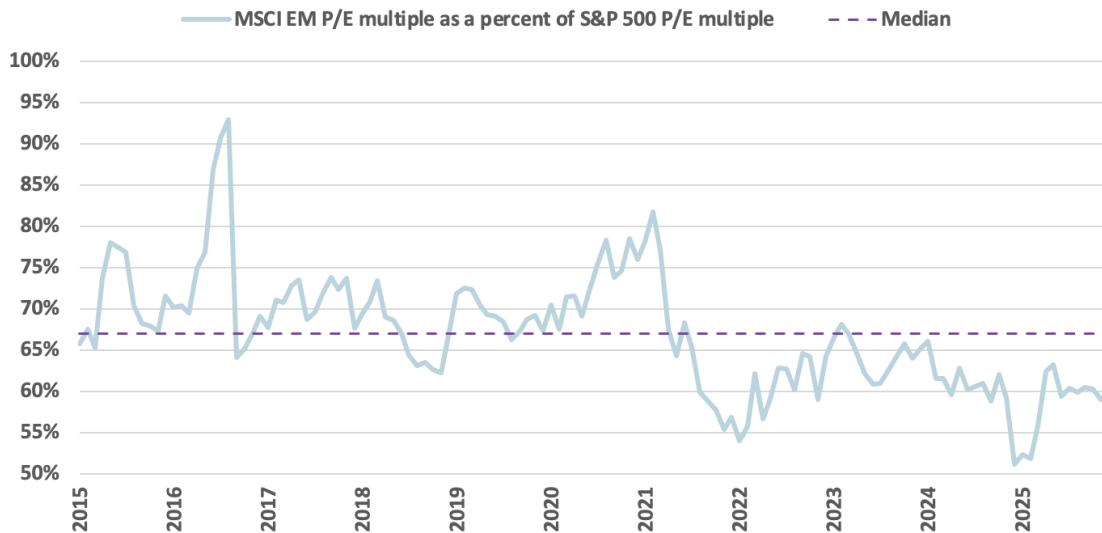


Source: Goldman

Valuation is attractive vs DM

## Relative discount is significant

MSCI EM P/E multiple compared to the S&P 500 P/E multiple



**The MSCI EM index is trading at a relative discount to the S&P 500, and below the median discount over the period from 2015 to present**

**LetkoBrosseau**

Source: Bloomberg, monthly valuation metrics for the S&P 500 index and the MSCI EM-ND index from January 1, 2015, to December 31, 2025, as of January 21, 2026.

Which one would you prefer to win? S&P 500, MSCI ACWI or MSCI EM?

	S&P 500	MSCI ACWI	MSCI EM
Price/Earnings	22.0	18.9	13.2
Price/Cash Flow	16.2	13.0	9.2
Price/Book	4.7	3.2	1.9
Dividend Yield	1.2%	1.8%	2.6%
EPS CAGR Estimate (2025-2027)	14.6%	13.5%	18.8%

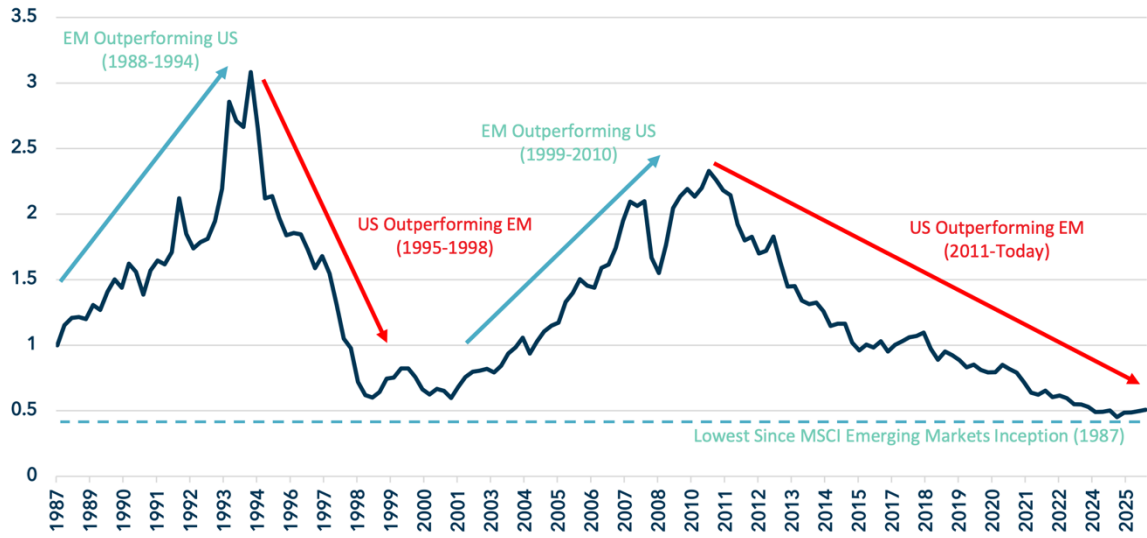
### EME place to be?

Over the past 15 years, emerging market (EM) equities have underperformed U.S. equities. As shown in the chart below, relative performance between EM and U.S. equities moves in long cycles. We are now at the tail end of one of the longest periods of EM underperformance, and signs suggest we may be at a turning point.

In 2025, EM equities have started to outperform U.S. equities, and investor flows into EM are turning positive. Valuation and growth metrics support this shift, expected earnings per share growth in emerging markets is higher than for the S&P 500, while valuations remain much lower. EM equities trade at a price-earnings ratio of around 13.2 versus 22 for the S&P 500 at the end of last year, with similarly attractive price-to-book and price-to-cash-flow levels.

At the same time, the macro environment is changing. High debt levels and policy uncertainty are creating challenges in developed markets, while many emerging market central banks are now more independent and more focused on inflation control. Combined with stronger earnings growth and lower valuations, this could mark the start of a new period of EM outperformance versus developed markets.

### MSCI Emerging Markets to S&P 500 Ratio Total Return<sup>(1)</sup>



But... mean reversions do occur and can last a decade.