

# NAVIGATING GLOBAL MARKETS: INSIGHTS FROM ALQUITY'S HEAD OF EMERGING MARKETS

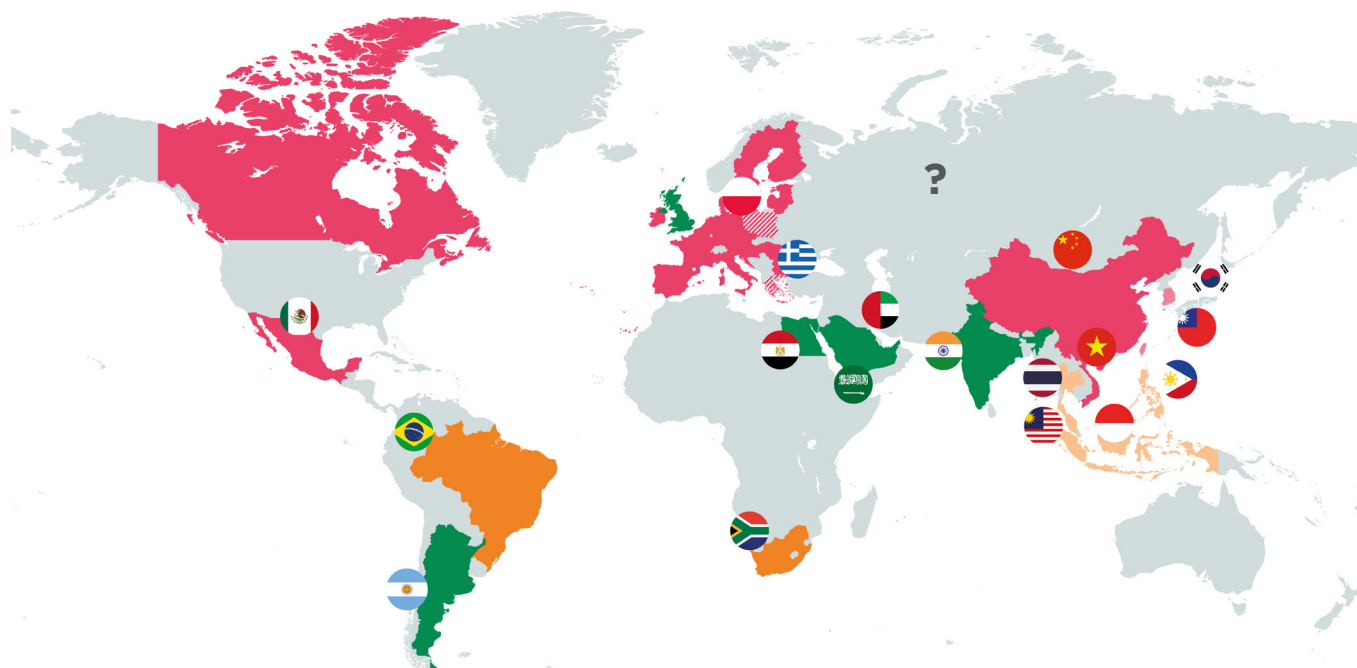
By Mike Sell

As we finish the third month of 2025, global markets are experiencing significant shifts driven by major political and economic changes. President Trump's second term has introduced new policies, trade tensions, and volatility. At Alquity, we have positioned our Emerging Markets equity funds to navigate these challenges while capitalizing on overlooked opportunities. Our approach combines rigorous fundamental analysis, sustainable investing principles and a deep understanding of economic cycles.

## EMERGING MARKETS: RESILIENCE AMID UNCERTAINTY

We have analysed countries based on their exposure to Trump's policies, identifying areas of both opportunities and risks. While countries such as Mexico and Canada remain highly sensitive to tariffs, countries like Saudi Arabia or South Africa present interesting dynamics. South Africa's free trade agreement renewal has stirred some uncertainty, but we see potential in select companies. One standout is Boxer, a leading discount supermarket that is well-positioned to benefit from the current economic climate as they cater to cost-conscious consumers.

China, despite being at the centre of trade tensions, has shown remarkable resilience. We're particularly bullish on China's technology and consumer sectors, which continue to demonstrate strong growth potential driven by domestic demand and innovation as demonstrated by the excitement that was catalysed by DeepSeek's AI technology.



Source: Alquity, as of 28th February 2025. Red = Sensitive to Trump's tariffs; Orange = Mixed picture; Green = Low impact or not in scope.

## BEYOND THE HEADLINES

At Alquity, our investment philosophy is anchored in uncovering domestic and small-cap opportunities that offer structural growth independent of global developments. By focusing on businesses that benefit from domestic demand, regulatory tailwinds, and technological shifts, we mitigate exposure to geopolitical risks while unlocking long-term value. This strategy enables us to navigate macroeconomic fluctuations effectively, capturing upside in emerging markets where global investors often overlook high-growth opportunities.

This matters for our investors as the emphasis on domestic structural growth themes allows us to invest in companies that are less exposed to global trade disruptions while benefiting from long-term local trends. Alquity's Future World Fund has 69 out of 82 positions domestically focused, providing a unique source of alpha with 36 names that are out-of-index. This strategy allows us to tap into local growth stories while minimizing exposure to global trade tensions.

A fantastic example of a non-index company that encapsulates Alquity's investment approach is Despegar. Despegar is a Latin American online travel agency that benefits from several key factors such as increasing leisure time and travel in Latin America and the digital transformation from physical to the online economy. The company's potential was further validated when it was acquired by Prosus towards the end of last year. The firm delivered a gain of more than 120% during our short holding period (we initiated the position in December 2023).

REUTERS


### Prosus to buy Latin American online travel agency Despegar.com for \$1.7 billion

Source: Reuters, as of 23rd December 2024.

Another company we own is Budimex. Budimex is Poland's largest construction group, with an established track record of successful large-scale projects. The company benefits from our theme of favourable cyclical positioning due to the large influx of EU funding into Poland (cohesion fund, CEF programme, recovery fund...), with option value from reconstruction projects in Ukraine.

In Egypt, Edita, a leading bakery, is well-positioned as it taps into the country's large and growing consumer base and expands regionally. The company's strong brand presence and efficient distribution network position it well for future growth.

These diverse examples highlight our approach of looking beyond the headlines and identifying companies that are not only financially sound, but also well-positioned to benefit from local market dynamics and structural trends despite global geopolitical uncertainty.



- Largest Egyptian bakery, catering to a population of 114m
- Leading market share in most market segments (cakes, croissants, etc.) and has significant pricing power
- Beginning to expand regionally (e.g. Morocco)
- ESG rating: B
- Market cap: \$410m (out of index)



- Leading discount supermarket in South Africa, with approximately 500 stores
- Entirely driven by domestic factors
- IPO'd in November 2024
- ESG rating: C
- Market cap: \$1,660mn (out of index)

Source: Alquity, Boxer Retail, Edita, as of 28th February 2025. The companies mentioned and discussed above are provided for information only, are subject to change and are not a recommendation to buy them.

**69/82 names are domestically focused**

**36/82 companies are out-of-index**

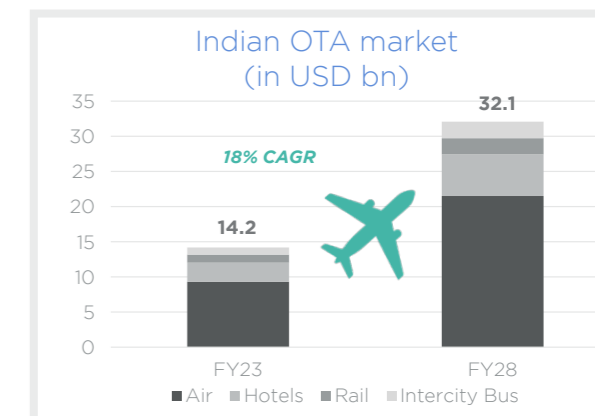
**Diversified across 20 countries**

Source: Alquity, as of 28th February 2025.

## INDIA: A BEACON OF GROWTH

India continues to be a key market in our portfolio, driven by robust domestic demand and structural reforms. Companies like Aptus Value Housing and Mahindra Finance are benefiting from rural economic strength, tapping into the vast potential of India's rural markets. Aditya Vision, a retailer in North India is capitalizing on the pent-up demand for electronics in India's Tier-2 and Tier-3 cities, showcasing the country's consumption story.

We have also identified unique opportunities like Ixigo, an online travel agency with 480 million annual active users\*. Ixigo's success demonstrates the power of digital adoption in India and the potential for homegrown tech companies to achieve significant scale.



\*Source: Alquity, Ixigo, F&S, as of February 2025.

## LOOKING AHEAD: OPPORTUNITIES AND CHALLENGES

As we move forward in 2025, several positive macro trends in emerging markets are worth noting. Many countries are experiencing interest rate cuts, successful reforms, and continued economic growth. For example, countries like Egypt and Saudi Arabia are realising their high growth potential. Inflation remains low across emerging markets. However, recent market events have introduced new uncertainties. The spectre of recession and stagflation looms, and the potential for a "Fed put" or "Trump put" remains unclear. The market has seen significant shifts since Trump's election in November 2024, with growth and small-cap stocks initially outperforming, followed by steep declines across markets in December and January 2025.

Despite these challenges, our Future World Fund is well-positioned to navigate evolving geopolitical dynamics.

## CONCLUSION: NAVIGATING COMPLEXITY WITH CONFIDENCE

By maintaining a diversified portfolio and focusing on key trends, we effectively navigate the complexities of global and emerging markets. Our commitment to rigorous analysis and a forward-looking approach, ensure that our strategies remain resilient amid uncertainty. Whether identifying high-growth quality companies in China and India or uncovering overlooked gems in markets like Poland and Egypt, our goal is to deliver sustainable returns while driving positive global change.

By staying true to our principles of responsible investing, we continue to create long-term value for our investors in an evolving market landscape.

## FOR MORE INFORMATION ON ALQUITY, PLEASE CONTACT

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## SOURCES

Alquity, Bloomberg, Aptus Value Housing, MMFS, Aditya Vision, as of 28th February 2025.

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