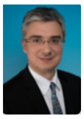
# AMUNDI FUNDS EMERGING WORLD EQUITY

Monthly Portfolio Update

**31/10/2025**

## Meet the Team



**Patrice Lemonnier**

Global Head of Emerging Markets Equity

**Market environment**

The MSCI Emerging Markets index gained 4.2% in October, continuing its outperformance over developed markets and the USA as the MSCI World and the MSCI USA indices rose respectively 2.0% and 2.4%. Extending the fifth bull run in EM since 2000, MSCI EM index has rallied by approximately 55% since October 2023. The Fed cut rates by 25bps in October as expected, yet it delivered a hawkish message about a December cut. The EM rally was fueled primarily by strong AI capex demand. US-China trade tensions escalated in early October, but Presidents Trump and Xi agreed to a one-year truce on tariffs and export controls. Oil prices fell further in October (Brent -2.9%, WTI -2.2%) despite additional sanctions on Russian oil.

Among regions, the MSCI EM Asia index (+4.9%) was the best performing market over the month while the MSCI EMEA index (+1.1%) and MSCI Latin America index (+0.9%) lagged.

Among countries, the MSCI Korea index (+22.7%) was the best performing market in October, driven primarily by the AI trade as robust earnings, memory supply tightness amidst the AI capex race, progress in Samsung's HBM manufacturing, positive news on collaborations with US AI giants (such as OpenAI and Nvidia), and new US opportunities across various industries (including shipbuilding and nuclear engineering and construction) further propelled the market. Conversely, the worst performer was the MSCI Greece (-4.4%), mostly dragged down by Industrials and Consumer Discretionary.

Among key markets, the MSCI China index (-3.8%) lost ground after three months of outperformance as Tech corrected and despite the US and China agreement of a one-year truce, reducing the US effective tariff rate on China from 42% to 32% and suspending recent trade measures. While some issues remain unresolved, a hard decoupling is unlikely in the near term, and both sides appear open to compromise despite ongoing strategic competition. China's 15th Five-Year Plan emphasizes high-quality growth, technology self-sufficiency, and boosting domestic consumption, with reforms to unify the national market and reduce local protectionism. Proactive fiscal policy and increased central spending signal gradual reform, while concrete measures to address job mismatches, social safety net gaps, and housing market risks will be crucial for sustained progress. The MSCI Taiwan index (+9.8%) kept on outperforming on the back of high demand for AI and iPhone, as well as FX gains at company level. TSMC raised its earnings guidance and announced a significant increase in capex. MSCI Taiwan's 2025/26 consensus EPS estimates saw 2.9%/5.9% revisions in October, driven by the Information Technology sector. Taiwan's 3Q25 GDP rose 7.6% year-on-year, driven by strong net exports and robust AI tech demand, while domestic demand stayed weak. Rising capital goods imports signal ongoing semiconductor investment, and upcoming government cash handouts should support consumption. The MSCI India index (+4.4%) recorded a positive return driven by renewed optimism around an India-US trade deal, stable 2QFY26 earnings and an improving macro environment. The MSCI Brazil index edged up (+0.7%) as macro-economic landscape remains mixed, with industrial production and services output slightly above expectations, but retail sales and GDP tracking below forecasts. Inflation is slowing, especially in the core measures, while the current account deficit has widened despite strong FDI inflows. Politically, the unanimous approval of income tax reform in the lower house marks a major win for President Lula, strengthening his position ahead of 2026, as his approval ratings improve, and he widens his lead over potential rivals. The MSCI South Africa index also underperformed (+0.5%) as the ZAR weakened -0.4% in October and mining companies retreated with Gold price, while the MSCI Saudi Arabia index (+1.0%) ended the month in positive territory as the statement from the CMA Chairman that changes to Foreign Ownership Limits (FOL) will only come over the course of 2026 after the QFI rules are revised was perceived negatively, yet offset by a strong 3Q earnings season, notably Banks.

**Portfolio performance**

The fund underperformed its benchmark this month, which was due to all three engines of performance.

Country allocation's contribution was negative, stemming from underweighting Taiwan and overweighting South Africa and Brazil, while benefiting from the positive impact of underweighting China and Saudi Arabia as well as overweighting South Korea.

Sector allocation had a negative effect on the relative performance as the positive impact from underweighting Financials in Taiwan as well as overweighting Information Technology and underweighting Health Care, both in South Korea, was more than erased by underweighting Financials in China and Materials in Brazil, as well as overweighting Consumer staples in Taiwan.

Stock selection contributed negatively this month. Among the main detractors were underweighting a semiconductor components manufacturer and overweighting a sportswear retailer and a casino operator, all in South Korea, as well as overweighting an Indian travel agency and a cosmetics manufacturer in China.

In terms of movements, a Chinese telecommunication infrastructure services provider was exited as revenue could be under pressure in light of declining mobile service-related capex from telecom operators. A South Korean telecom operator was also sold as the data leakage impacts the company's revenue and profit in a significant way, implying uncertainty on its dividend policy. The remaining stake in an Indonesian packaged food products manufacturer is being sold, mainly due to the weakening Indonesian economy and related weak consumer confidence and purchasing power impacting noodles volume negatively. The team believes the stock is cheap but may remain a value trap without better macro management in Indonesia. Conversely a Taiwanese pneumatic components and systems manufacturer was bought as industrial automation order has been recovering in China, driven by battery, general industries, and the company continues gaining market share, with more Stock Keeping Unit offering.

**Outlook**

Equity markets have strongly rebounded from the bottom reached beginning April and are up year-to-date by 19.8% in USD terms for Developed Markets Equities and 32.9% for Emerging Markets Equities. Over the next few months, it is probable that the volatility induced by tariffs negotiations will decrease, even though final agreements, with China and Mexico especially, have to be found. Even if in the short term, the US dollar may temporarily reverse part of its year-to-date weakness, the search for diversification out of US assets should continue as a result of policy uncertainty. Emerging Markets Equities should benefit as valuations are less extended than in Developed Markets.

With a longer-term view, the team also continue to think that improvement in capital expenditure discipline, the lack of major macroeconomic imbalances, and increasing pay-out ratio, should help emerging economies to reduce economic and profit volatility.

NB: EM stands for Emerging Markets and DM for Developed Markets, Fed for US Federal Reserve System, WTI for West Texas Index, FX for foreign exchange, EPS for Earnings Per Share, ZAR for South African rand, CMA for Capital Market Authority and EV stands for electric vehicle, IT for information technology, HBM for High Bandwidth Memory, and AI for Artificial Intelligence.

All returns shown above are expressed in USD

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**31/10/2025**

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