RBC Global Asset Management

Why invest in emerging markets?

RBC BlueBay

We are an active asset manager partnering with clients to deliver optimal solutions across fixed income, equity and alternative asset classes.

Our emerging markets specialisms

EM Debt

Within fixed income, our EM Debt team offers active long only, total return and alternative solutions across sovereign and corporate debt, in hard and local currency.

The team of 26 investment professionals has been investing in the EMD space since inception in 2002 and manages over USD12.2 billion in dedicated assets under management.

EM Equities

Our EM Equity team offers significant investment expertise in the asset class, with over 185 years' cumulative experience across its centralised investment team.

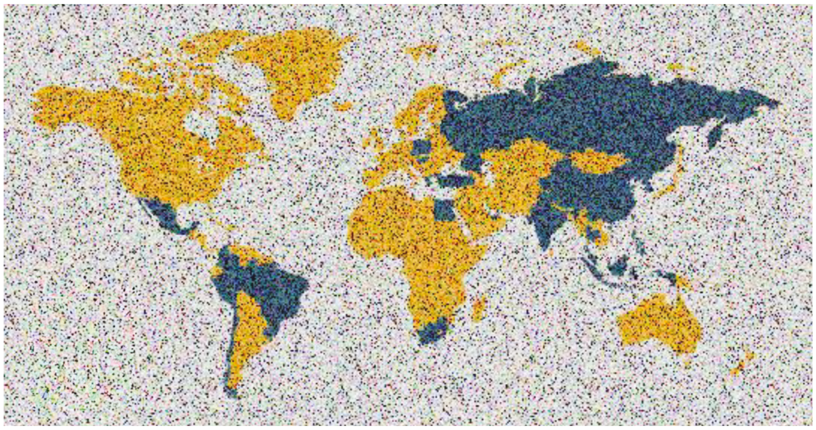
Since inception in 2009, the team has been stable, with half the members working together for over 10 years. The team manages USD19.1 billion for investors globally, across two key disciplines: EM Quality and EM Value.

Source: RBC GAM, as at 30 April 2025.

The growing opportunity in emerging markets

- **Driving global growth:** emerging markets (EM) are home to over 80% of the world's population and account for the majority of global GDP growth[1]. This strong trajectory is expected to continue, with EM countries forecast to contribute the bulk of global economic growth by 2035.
- **Improving fundamentals:** EM country fundamentals have improved considerably in recent years, driven by economic reforms and prudent monetary and fiscal policies. This is leading to attractive current account and fiscal positions relative to history and the developed world. Likewise, default risk amongst EM corporates is at historic lows, following significant lowering of leverage and improvement in cash ratios.
- **A multitude of distinct markets:** the investment opportunity set is becoming increasingly attractive, offering exposure to a diverse group of economies and sectors, and with appealing demographics benefiting from a range of structural growth trends.
- **Opportunities to add alpha:** in an environment of ongoing volatility, we believe some of the most compelling and undervalued investment opportunities reside within EM, offering the potential for diversification and uncorrelated returns.

RBC: a leader in emerging markets investing.
Connecting the dots in complex markets.



Source: RBC GAM, as at 31 May 2025.

[1] corporatefinanceinstitute.com/resources/economics/emerging-market-economy/#:~:text=Emerging%20market%20economies%20make%20up%2080%25%20of%20the,in%20size%20%E2%80%93%20such%20as%20India%20versus%20Morocco.

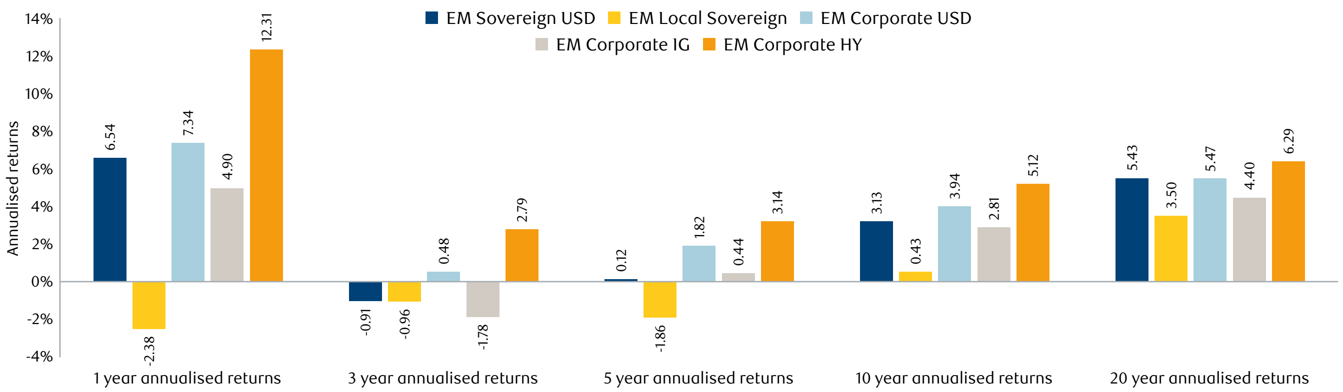
Why consider EM Debt?

Diversification: investors can access an array of idiosyncratic returns drivers that are uncorrelated to other asset classes. The diverse economic makeup of EM countries also means they can benefit from macroeconomic trends that weigh on developed markets (DM). Over time, EM bonds have provided investors with differentiated returns from DM, showing modest correlation to global equities and bonds. These diversification benefits for institutional investors can serve as an important buffer during periods of stress or volatility in other regions or asset classes.

Yield premium: the asset class compensates investors for venturing out of their core markets and provides an effective cushion against market volatility. Currently, yields range from 6-7% at the index level and rise to over 8% for instruments rated single-B or below. This attractive yield premium is apparent when comparing the asset class against DM instruments with similar rating and duration risk profiles.

A fertile hunting ground: an inefficient and often misunderstood market means specialist active managers are presented with a 'dream scenario', exploiting price anomalies in a market that is prone to spikes of volatility and periods of dislocation. Furthermore, the wide range of issuers and asset characteristics creates opportunities for enhanced returns through active management, as markets overreact in the short term to newsflow. The range of exploitable returns can vary across sub-asset classes, depending on the context and market developments. Chart 1 shows the competitive results achieved by EMD over time.

Chart 1: Compelling return characteristics



Source: Bloomberg, as at 31 December 2024.

Why consider EM Equities?

Challenges are turning into opportunities: EM equities remain underowned and undervalued, and we have a positive outlook on both the absolute and relative performance of the asset class.

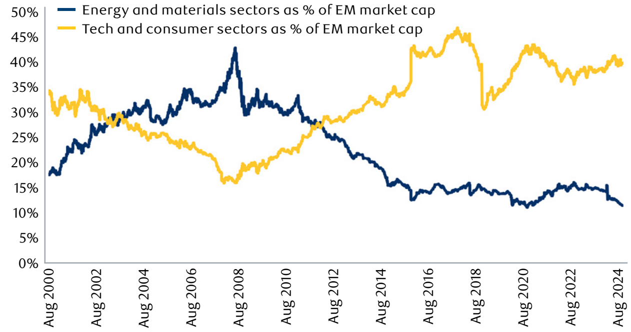
The case for EM currencies performance over the medium term: EM currencies have proved resilient in recent years, and we believe this improved performance can continue, given strong fiscal and current account balances across many countries. We also believe there is a strong case for USD weakness going forward.

The asset class is becoming more attractive: the EM equities universe has increasingly diverse country exposure and less cyclical stocks. We are seeing growing exposure to areas of structural growth, including consumer and technology (Chart 2).

Selectivity remains key: while China faces considerable long-term structural challenges, we believe valuation levels and government support can help the market in 2025. We are also seeing interesting developments in India, Latin America and Southeast Asia, due to global supply chain shifts.

Country fundamentals are in good shape: EM fundamentals have improved considerably in recent years, driven by economic reforms and prudent monetary and fiscal policies across many EMs.

Chart 2: Increasing exposure to areas of structural growth



Source: Bloomberg, as at October 2024.

The benefits of partnering with our EM investment teams

We have been investing in EM for more than three decades. Our stable and highly experienced EM fixed income and equity teams bring considerable market knowledge, which we believe enhances our ability to effectively source alpha opportunities and protect against performance headwinds.

While each team has its own investment approach, there are commonalities in their strong track records of performance, breadth of network and depth of relationship with key decision makers.

"Complementing these approaches is the on-the-ground research, with frequent travel to the regions and meaningful engagement with corporates, sovereigns and key stakeholders."

Central to their respective approaches is a rigorous and repeatable investment process. Proprietary, bottom-up research, combined with significant macro input and top-down overlay, enables our investment professionals to uncover prospective investments and mitigate risks effectively.

Complementing these approaches is the on-the-ground research, with frequent travel to the regions and meaningful engagement with corporates, sovereigns and key stakeholders. This allows our teams to stay attuned to emerging trends, regulatory developments, and market shifts.

At a glance

Our approach to EM investing:

Focus on what matters most
Longstanding experience of identifying factors with the greatest impact on the outcome of an investment over time.

Rely on first-hand knowledge
Gather first-hand intelligence with policymakers, company management, competitors, suppliers, customers, and employees.

A holistic view
Look at all facets of risk; compare valuations across sectors; conduct joint research trips; leverage native experience of team.

Our advantage in EM investing:

Investing in EM for 30+ years
EM is an inefficient and often misunderstood asset class; diverse teams with significant resources are key.

Pioneers in the asset class
History of building relationships with key decision makers; we were there before almost everyone else.

Diverse backgrounds, perspectives, experience
Combination of skills to comprehend how people, events, and data points are connected – and therefore how to act on them.

Portfolio Manager Perspectives

Our experts offer their perspectives on the latest developments in global credit and the state of the markets.

LEARN MORE

RBC Global Asset Management (U.S.) Inc.
800.553.2143 | **rbcgam.com**