

Q3 2025

Why Emerging Markets Value

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1. Potentially Attractive Entry Point and Persistent Discount

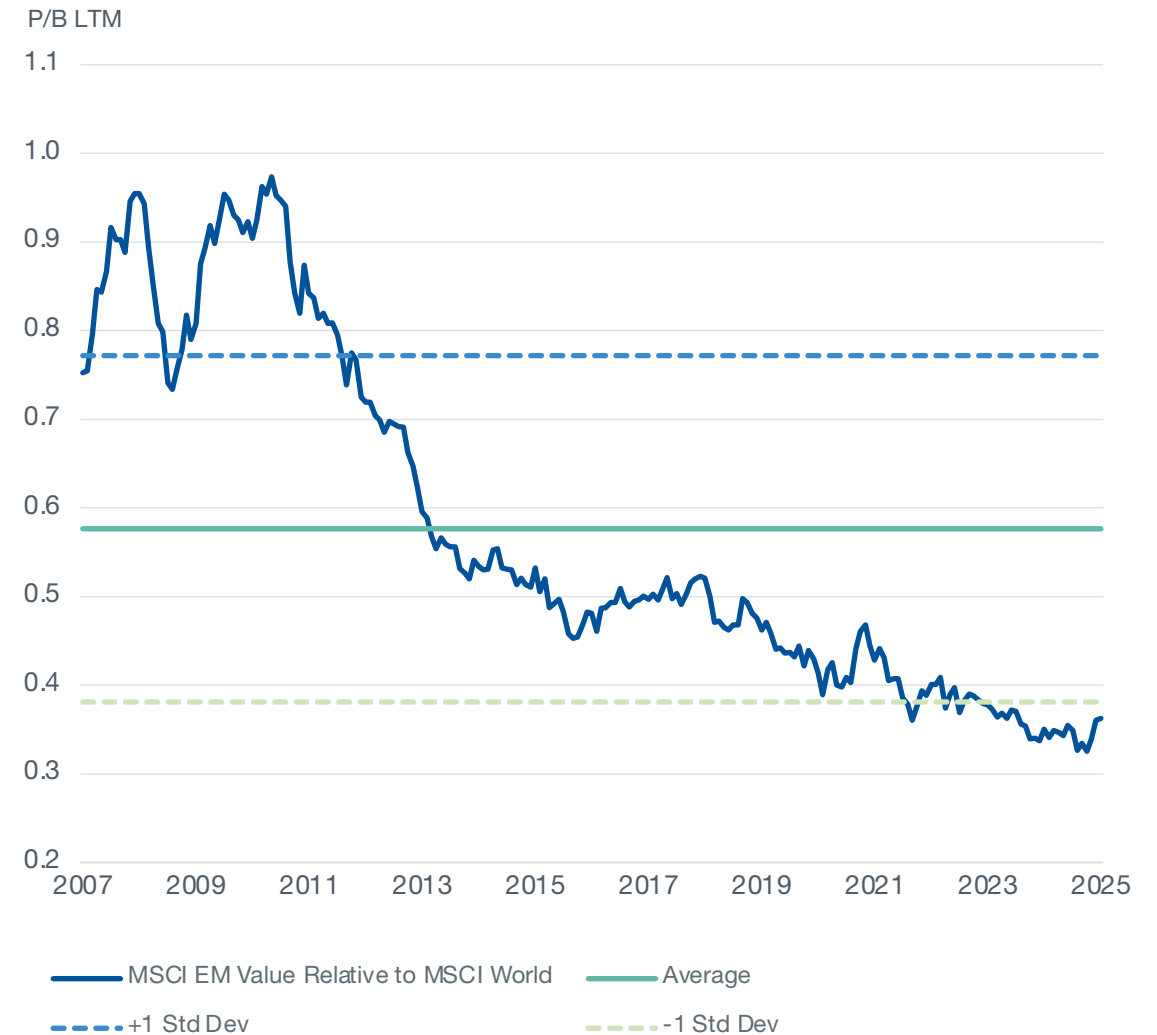
EM Value's price-to-book ratio is more than one standard deviation below its long-term average discount relative to developed markets, which we believe signals an **attractive entry point**. In our view, adding exposure to undervalued assets during such periods may provide a strong foundation for potential long-term outperformance.

As global supply chains shift and emerging markets expand their role in production and consumption, we believe EM Value offers both **diversification** and the potential for **significant capital appreciation**.

As of 30 September 2025
Source: FactSet, MSCI

Lazard Asset Management

We Believe EM Value Offers an Attractive Entry Point at Current Value

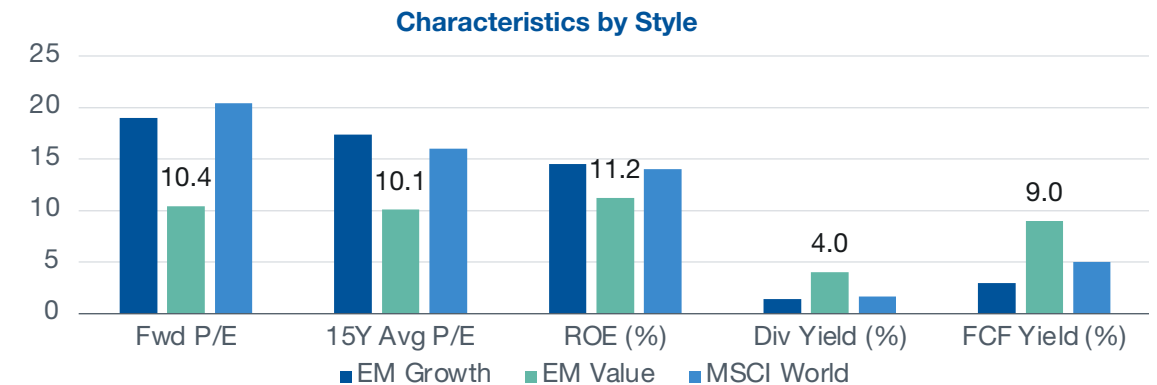
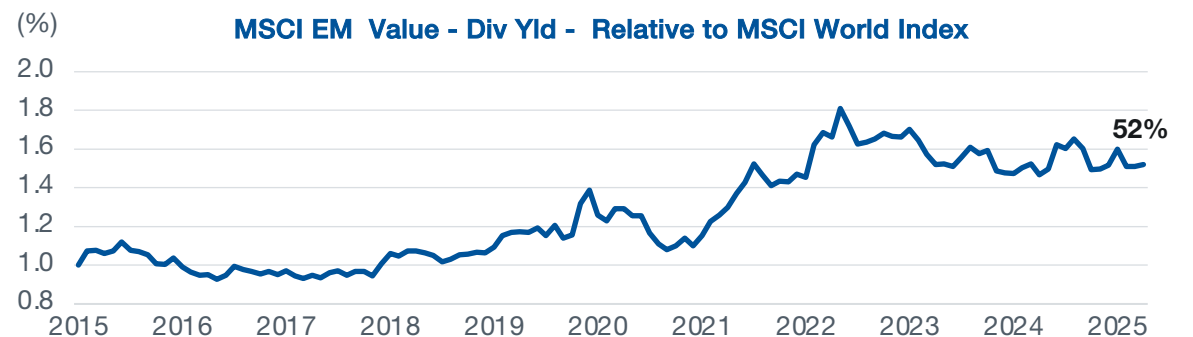
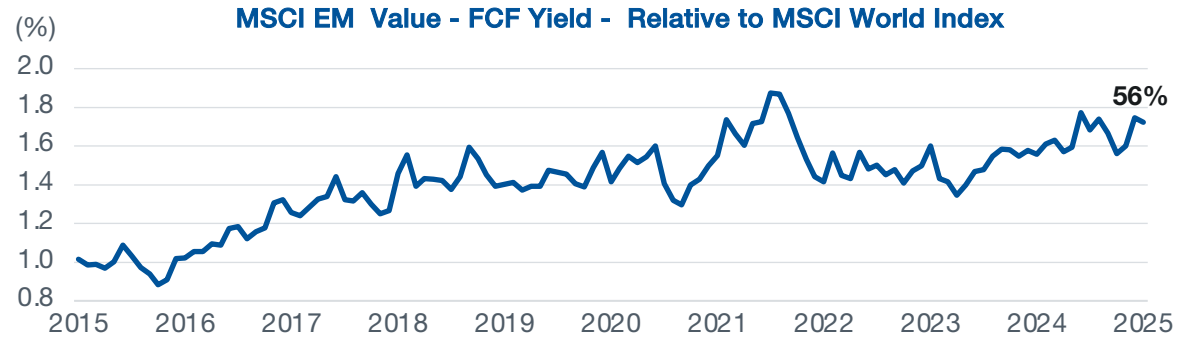


2. Historically Attractive Valuations and Strong Fundamentals

- **EM Value has offered a substantial income premium versus developed markets**, with dividend and free cash flow yields typically 50%–70% higher than the MSCI World Index—providing a compelling option for income-oriented investors in today’s lower growth, high-volatility environment.
- **Valuations have been attractive, with EM Value trading at a historical discount with a forward P/E at 10x**—well below both EM Growth and MSCI World—which we believe offers a favorable entry point for investors seeking earnings yield at a discount.
- **Improved profitability across EM Value sectors**, reflected in rising ROEs, suggests that investors have been buying cheap—accessing businesses with increasingly efficient capital allocation and stronger fundamentals.

As of 30 September 2025
Source: FactSet, MSCI

EM Value’s Income Premium vs. MSCI World

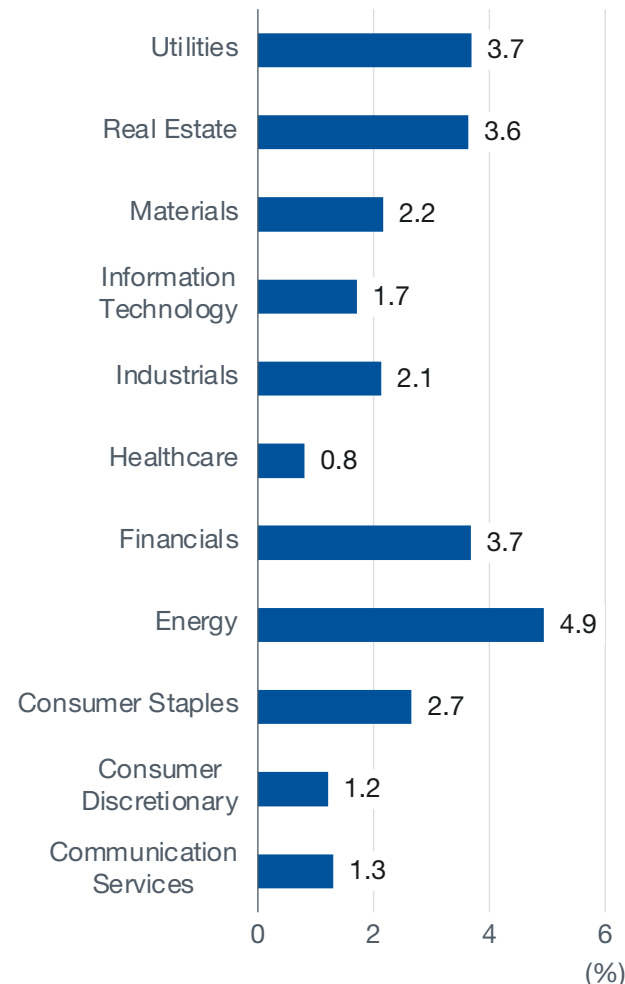


3. Historically Attractive Dividend and Free Cash Flow Yield

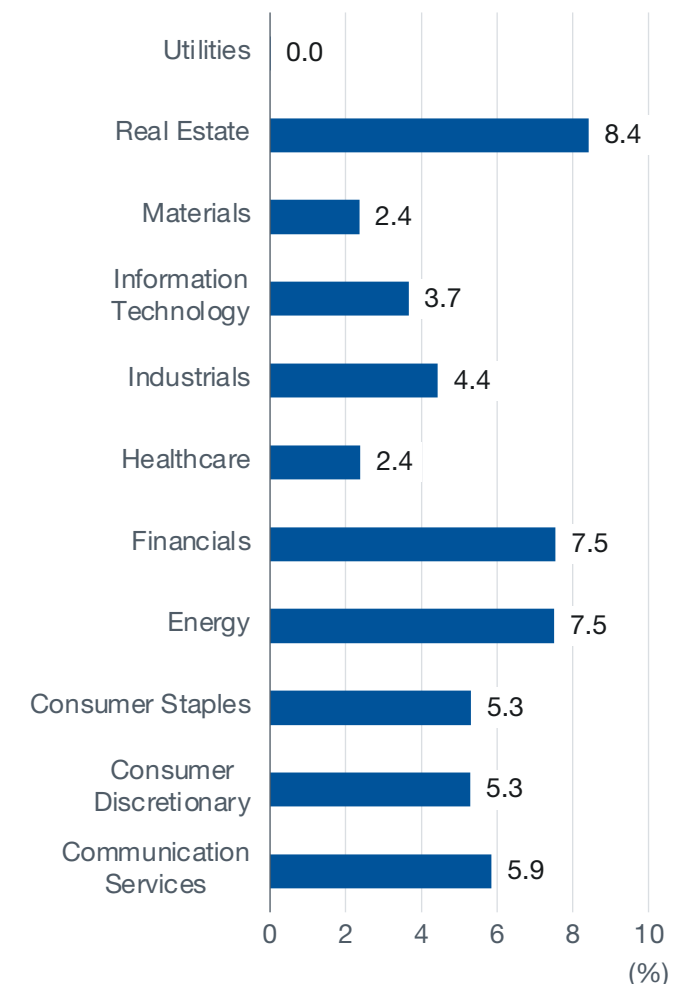
- **We believe strong dividend and free cash flow yields support total return potential**, especially in sectors like energy, financials, and real estate, where payouts and cash generation are among the highest globally.
- **Investor appetite has shifted back toward income and cash flow stability**, with many EM Value sectors offering both—something increasingly important in a higher-for-longer rate environment.
- **Traditional Value sectors have been distributing healthy levels of cash**, with energy, financials, and communication services all generating more than 6% free cash flow yields.
- **In a more selective market, we believe quality value names with strong balance sheets and payouts** may continue to attract capital, particularly from yield-focused investors and allocators looking for reduced downside capture.

As of 30 September 2025
Source: MSCI

Dividend Yield by Sector



Free Cash Flow Yield by Sector



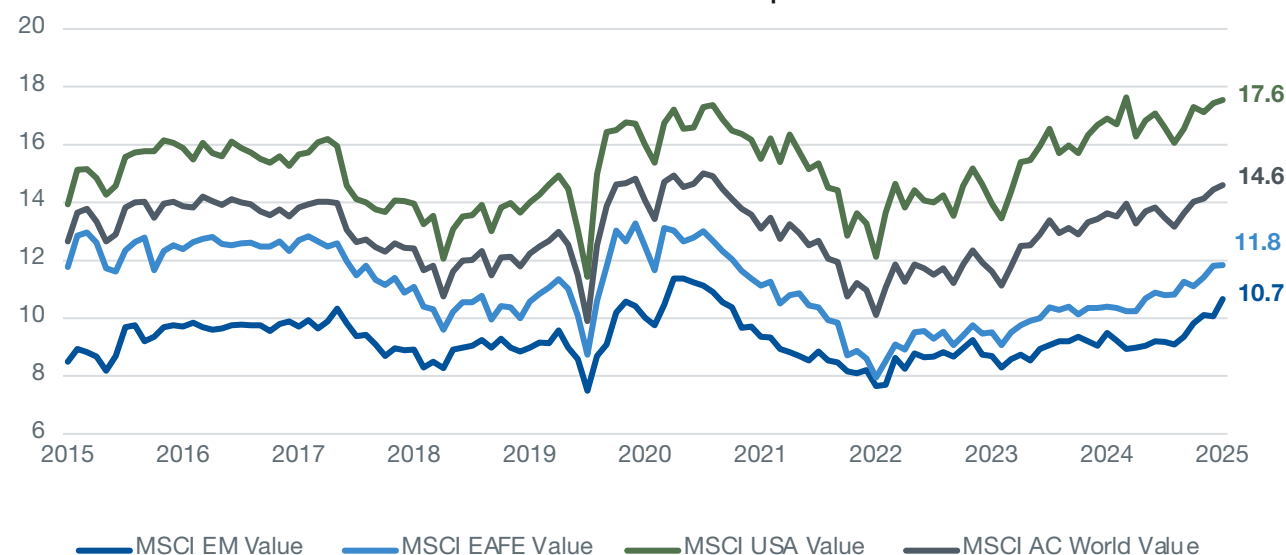
4. More Room to Run

- Although Value stocks have shown stronger performance recently, **the gap between EM Growth and Value stocks remains significant.**
- Despite notable multiple contractions, **EM Growth stocks still trade at twice the valuation of Value stocks.**
- Over time, Value stocks may revert to their historical valuations, which would offer **meaningful capital appreciation** for investors who purchased at a discount.

Performance Gap Space to Close



EM Value Remains Inexpensive



5. Potential Opportunities in Traditional EM Value Markets

- **South Korea:** Corporate Value-Up program has improved governance standards and shareholder returns, with listed companies responding through higher buybacks and dividend payouts.
- **Brazil:** Supported by easing inflation, falling interest rates, and strong domestic consumption. Structural reforms and commodity exports have underpinned growth.
- **Mexico:** Benefiting from nearshoring trends and strong US demand, with manufacturing and industrial investment that accelerated under the USMCA framework.
- **Indonesia:** Supported by commodity strength, improving fiscal discipline, and a growing middle class, potentially offering attractive long-term Value opportunities.
- **South Africa:** Political transition and fiscal reform efforts have been in focus, while resource endowments and improving governance in key sectors support gradual recovery.
- **Thailand:** Recovery in tourism and domestic consumption alongside stable fiscal policy provide a supportive backdrop for value-oriented opportunities.
- **Poland:** Benefiting from resilient domestic demand and strong labor markets, with ongoing EU infrastructure inflows and manufacturing expansion positioning the country as a key nearshoring hub within Central and Eastern Europe.
- **Turkey:** Potentially attractive valuations following years of macro volatility, with improving policy credibility and a gradual shift toward orthodoxy supporting investor confidence.
- **Hungary:** Supported by stabilizing inflation, improving fiscal discipline, and renewed foreign investment, with EU funding inflows and a resilient manufacturing base underpinning potential value opportunities.
- **Greece:** Among the strongest post-crisis recoveries in Europe, supported by structural reforms, fiscal discipline, and a rebound in investment and tourism. Momentum driven by EU recovery funds and improving credit ratings.

As of 30 September 2025
Source: Lazard

Important Information

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The S&P 500 Index is a market capitalization-weighted index of 500 companies in leading industries of the US economy.

The MSCI ACWI Quality Index is based on the MSCI ACWI Index, its parent index, which includes large and mid cap stocks across 23 Developed Market and 24 Emerging Market countries. It aims to capture the performance of quality growth stocks by identifying those with high quality scores based on high return on equity (ROE), stable year-over-year earnings growth, and low financial leverage.

The MSCI World Quality Index is based on the MSCI World Index, its parent index, which includes large and mid cap stocks across 23 Developed Market countries. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth, and low financial leverage.

The Nasdaq Composite Index is a market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange consisting of American depositary receipts, common stocks, real estate investment trusts, and tracking stocks as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds, or debenture securities.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free-float-adjusted market capitalization index that is designed to measure developed market equity performance, consisting of Developed Market country indices excluding the United States and Canada.

The MSCI World Index is a free-float-adjusted market capitalization index that is designed to measure global developed market equity performance comprised of Developed Market country indices.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.

The MSCI Emerging Markets Index is a free-float-adjusted market capitalization index that is designed to measure equity market performance in the global Emerging Markets. The MSCI Emerging Markets Index consists of Emerging Markets country indices including: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

The MSCI All Country World Index (ACWI) is a free-float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of Developed and Emerging Markets.

These indices are unmanaged and have no fees. One cannot invest directly in an index.

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