Acadian Asset Management LLC
Emerging Markets Portfolio
Third Quarter 2026

Performance

The Acadian Emerging Markets Portfolio (Investor Class) returned –0.95% (net of fees) for the quarter ending September 30, 2026, relative to a return of –0.37% for the MSCI Emerging Markets Equity Index†.

Commentary

Global equities advanced 1.8% in the third quarter of 2026, as resilient economic activity, robust corporate earnings, and overall enthusiasm around artificial intelligence outweighed mounting geopolitical and macroeconomic headwinds. Fluctuating Middle East tensions pushed Brent crude above $100 per barrel and European gas prices sharply higher, intensifying inflationary pressures, while more than 80% of developed-market central banks raised policy rates, including the Federal Reserve, European Central Bank, and Bank of Japan. Renewed U.S. trade tariffs added further uncertainty. Despite these pressures, strong earnings across technology, energy, and banking drove continued upward revisions to 2026 earnings expectations, while AI-related investment remained a key market theme despite bouts of technology-sector volatility and a July semiconductor sell-off. With earnings expectations rising faster than share prices, valuations compressed across most regions. Developed markets outperformed emerging markets, led by Japan, where strong earnings, accelerating share buybacks, and ongoing corporate-governance reforms provided support. U.S. equities also performed strongly, with the S&P 500 reaching several record highs. Emerging markets lagged amid elevated energy costs, tighter monetary conditions, and semiconductor weakness, with South Korea and India weighing most on performance, while China advanced.

Against this backdrop, the Acadian Emerging Markets Portfolio (Investor Class) underperformed its benchmark of MSCI Emerging Markets Equity Index † by 58 basis points for the quarter ending September 30, 2026.

At the country level, detractors included stock selection in Taiwan, a combination of stock selection and an overweight position in Hungary, and stock selection in South Africa. Sources of positive active return included a combination of stock selection and an underweight position in South Korea, a combination of stock selection and an underweight position in India, and an overweight position in Poland.

From a sector perspective, detractors included stock selection in communication services, a combination of stock selection and an underweight position in materials, and stock selection in real estate. Sources of positive active return included stock selection in financials, a combination of stock selection and an overweight position in energy, and a combination of stock selection and an overweight position in information technology.

†Source of index returns: MSCI. Copyright 2026 MSCI

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Outlook

The OECD projects GDP growth in the United States near 2% in 2026 before easing to 1.8% in 2027. Rising energy costs and geopolitical tensions may weaken consumption, though AI-driven investment supports growth. Inflation is likely to temporarily spike due to higher energy prices. Risks include sustained oil price increases and private credit vulnerabilities. Interest rates are likely to remain stable if fiscal deficits are reduced, while improvements in energy infrastructure would enhance energy security and resilience.

Eurozone GDP growth will slow from 1.4% in 2025 to 0.8% in 2026 per the OECD, before recovering to 1.2% in 2027. Consumption is expected to remain resilient, while investment stays cautious. Inflation will ease as wage growth moderates, supported by prudent fiscal management and vigilant monetary policy. UK's growth is projected to slow to 0.9% in 2026 due to inflation reducing incomes and increasing uncertainty. It may rise to 1.1% in 2027 as energy prices, trade and financial conditions improve.

The OECD projects Australia's economic growth to strengthen, with GDP rising from 1.8% in 2025 to 2.3% in 2026-27, supporting low unemployment and stable inflation. Limited monetary easing and modest fiscal tightening are expected, while reforms target deficits and housing. The RBA expects inflation to stay elevated before returning to target.

Per the OECD, Japan's GDP growth will ease to 0.6% in 2026 and 0.8% in 2027, with domestic demand supporting activity despite higher energy import costs. Strong wage growth and subsidies support consumption, while corporate profits and government measures sustain investment. Inflation is expected to approach the 2% target by 2027. Fiscal policy is projected to remain expansionary in 2026 before tightening in 2027. The Bank of Japan signals a gradual tightening path, with rates near 1%, and expects cautious, data-dependent rate increases as monetary policy normalizes.

According to the OECD, China's growth is expected to ease to 4.5% in 2026 and 4.3% in 2027. While higher global oil prices remain a risk, diversified energy sources and ample reserves should cushion the impact. Exports are set to improve on lower US tariffs and higher tech sector gains, while household consumption will remain weak despite policy support. The property sector will continue to decline, but infrastructure spending will sustain investment. Monetary policy remains accommodative, with fiscal support becoming more expansionary.

The OECD projects India's economy to grow 6.3% in FY2026– 27 and 6.4% in FY2027–28, reinforcing its position as one of the fastest-growing major economies. Higher food, energy, and fertilizer costs are expected to increase inflation, weighing on consumption and investment. Fiscal policy will provide support, while tighter monetary policy aims to contain inflation. Continued reforms to improve productivity, regulation, and renewable energy remain essential for sustained growth.

Brazil's economic outlook points to a temporary slowdown followed by gradual recovery, with GDP growth projected at 1.6% in 2026 and 2.1% in 2027. The OECD believes that exports, supported by strong commodity demand from China, will drive near-term growth, while resilient labor markets sustain consumption. High interest rates are expected to dampen investment, though inflation should ease steadily. Monetary policy is likely to loosen gradually, and fiscal consolidation remains key, alongside reforms to boost productivity, competition, and renewable energy investment.

The OECD projects South Korea's economy to grow to 2.6% in 2026 before moderating to 1.9% in 2027. Growth will be supported by semiconductor exports, investment, and a gradual recovery in private consumption. Inflation is expected to peak at 2.6% before returning to target, with monetary policy focused on price stability and fiscal policy providing targeted support. Geopolitical tensions remain a downside risk, while stronger technology demand could boost growth.

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Annualized performance as of September 30, 2026 is: 34.05% (1 Year); 12.84% (5 Years), and 10.69% (10 Years).

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1-866-AAM-6161. *Total Gross expense ratio for AEMGX is 1.32%. Shareholders may pay a redemption fee of 2% when they redeem shares held for less than 30 days*

Past performance is no guarantee of future performance and may differ significantly from future performance due to market volatility.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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