



# RBC Emerging Markets ex-China Equity Strategy

## A distinctive approach resulting in 5 years of strong performance

For professional investors only | Marketing communication



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Published September 2025

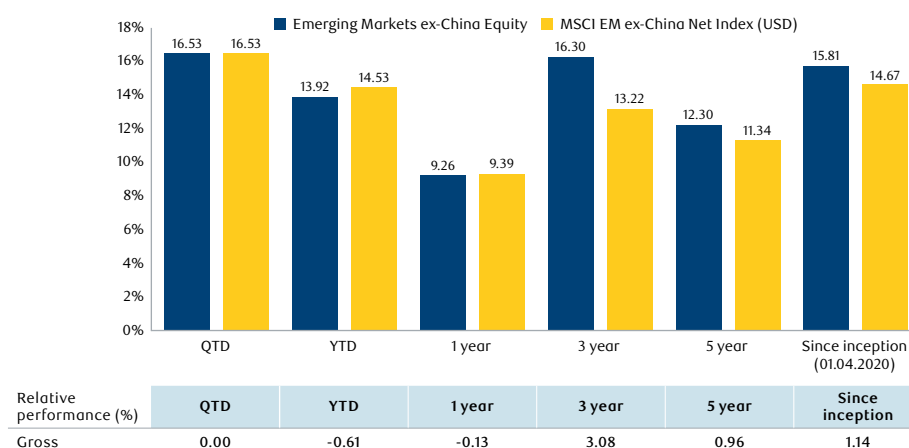
**“The Strategy launched in 2020, in response to client demand for a solution offering exposure to the vast opportunities across emerging markets outside of China.”**

With our EM ex-China Equity Strategy celebrating its 5-year milestone in April 2025, we take a step back to reflect on the Strategy’s performance, the factors that have contributed to our success, and the lessons learned.

### Key takeaways

- The Strategy launched in 2020, in response to client demand for a solution offering exposure to the vast opportunities across emerging markets (EM) outside of China.
- It is an offshoot of our team’s flagship RBC EM Equity Strategy, providing access to the same investment team, philosophy and process, and targeting high-quality companies with strong secular growth trends, priced at reasonable valuation levels.
- Since inception, the Strategy has outperformed its benchmark over the long term, across both 3 and 5-year time periods (Exhibit 1). This has been achieved with lower volatility and downside capture than the benchmark and most peers.
- Additionally, tracking error has been below the peer group average. These factors have resulted in industry leading, risk-adjusted performance as demonstrated by the Sharpe and Information ratios (Exhibit 2).

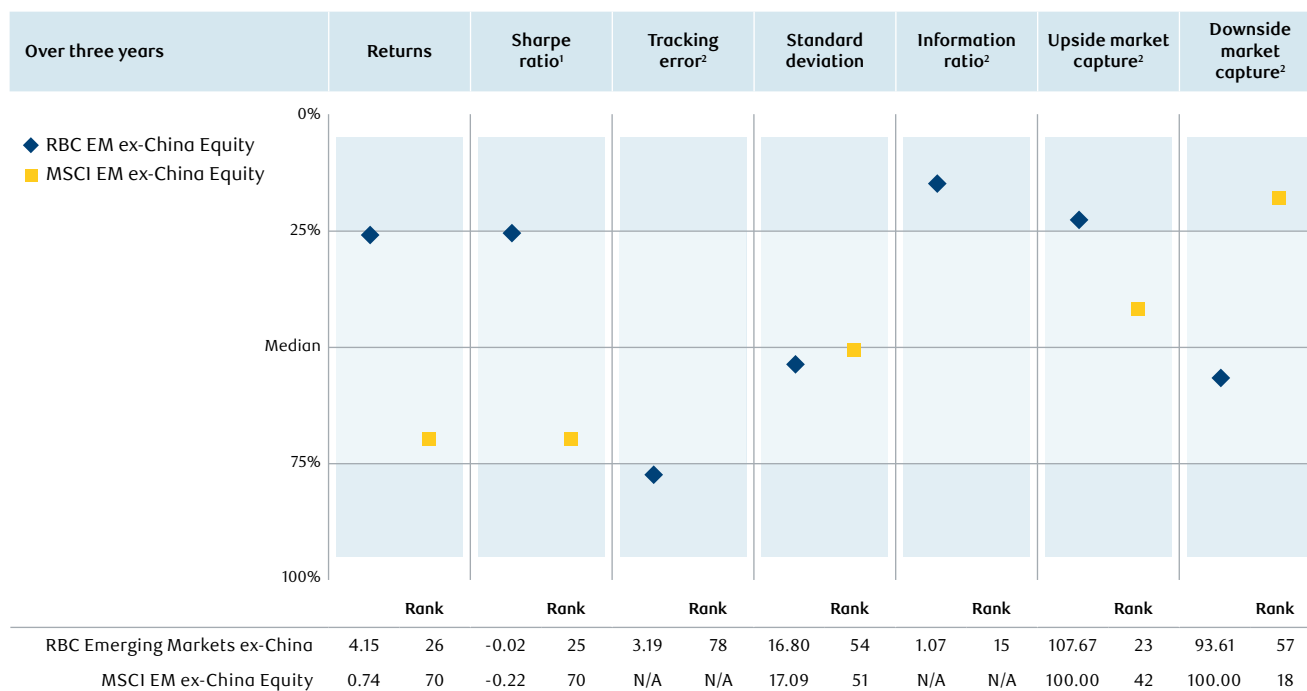
**Exhibit 1: A strong and consistent performance track record (annualised returns in USD)**



Source: RBC GAM, MSCI, as at 30 June 2025. Past performance is not indicative of future results and is calculated in USD. Returns may increase or decrease as a result of currency fluctuations. Returns are presented gross of management fees and include the reinvestment of all income. All returns for periods greater than one year are shown on an annualised basis.

## Exhibit 2: Attractive risk and return metrics versus peers

### Trailing 3-year risk statistics versus peer group



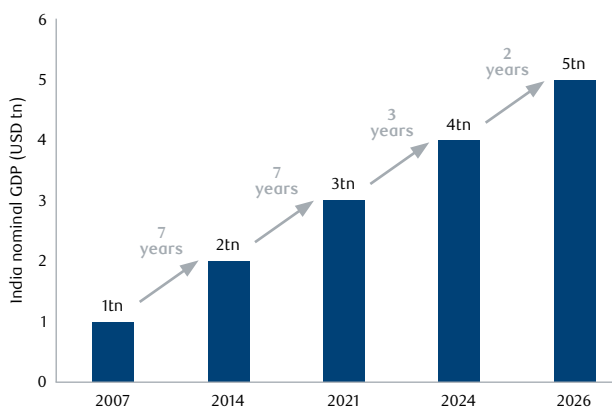
Past performance is not indicative of future results and is calculated in USD. Returns may increase or decrease as a result of currency fluctuations. Last 3 years through to 31.03.2025. Created on 29.05.2025 from a universe of 55. <sup>1</sup>FTSE 3-Month T-Bill; <sup>2</sup>MSCI EM. All categories not necessarily included, totals may not equal 100%. Returns are presented gross of management fees and include the reinvestment of all income of performance data.

### The case for EM ex-China

The EM ex-China asset class offers exposure to a diverse range of countries benefiting from attractive demographic and structural tailwinds such as consumption growth, advancement in technology, and supply chain diversification, which drive alpha generation in high-growth markets. An example of a standout performer within this opportunity set is India, which is projected to be the world's third largest economy after the U.S. and China by the end of 2026 (Exhibit 3).

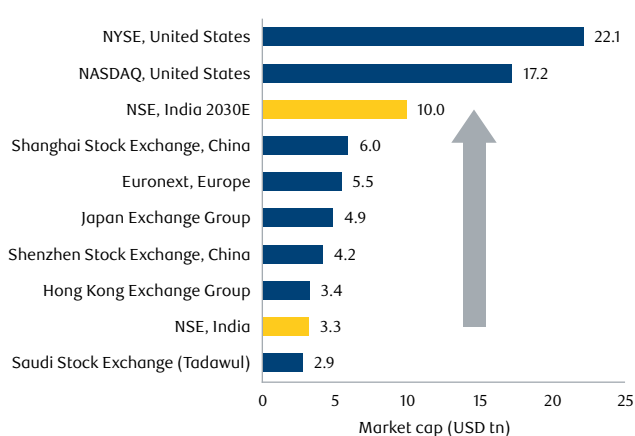
India's current Prime Minister, Narendra Modi, has ambitious growth plans, and aims to turn India into a developed economy by 2047 – the 100<sup>th</sup> anniversary of India's founding. Additionally, with the expansion of its capital markets, India's stock market is poised to become the third largest globally (Exhibit 4), fuelled by a wave of upcoming IPOs and a growing number of unicorn companies. These developments present a highly attractive landscape for investment opportunities.

### Exhibit 3: India can become a USD5 trillion economy by 2026



Source: Goldman Sachs Global Investment Research.

### Exhibit 4: India to become 3rd largest stock market by 2030



Source: Statista, Morgan Stanley Research estimates, as at November 2022.

Another blossoming area for investment opportunities is the Middle East. The GCC (Gulf Corporation Council) is a political and economic alliance of six Middle Eastern countries: Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia, and it is becoming an increasingly important player on the global economic and geopolitical stage. Economic growth is expected to accelerate in the coming years (Exhibit 5), increasingly driven by non-oil revenues as government investment and structural reforms bear fruit.

**“As AI adoption accelerates globally, both Taiwan and South Korea are likely to remain at the centre of this transformation, driving technological advancements and shaping the future of AI.”**

Saudi Arabia is increasing in popularity as a destination for investment, offering investors a differentiated and compelling prospect. It is the largest country in the GCC in terms of both land area and population and is also expected to have the highest population growth among the G20 over the next five years. Given the median age of population is well below Europe (43 years) and North America (39 years) at just under 30 years<sup>1</sup>, the country is poised to benefit from a significant increase in productivity resulting from both foreign and domestic investment. It also has the greatest economy in the GCC thanks to its expansive oil reserves, which are the largest known in the world.

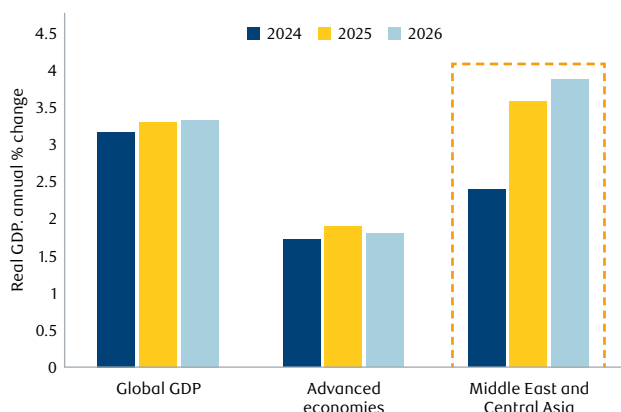
Moreover, Saudi Arabia has been among the most pro-active countries in terms of diversifying its economy away from oil. The Kingdom has been undergoing a transformation since Crown Prince Mohammed bin Salman’s rise to power in 2015. With a series of social and economic reforms, as well as government investment under his ambitious ‘Vision 2030’ initiative, Saudi Arabia is positioning itself as a modern and globally competitive nation whilst maintaining its cultural identity and regional leadership.

Another major focus within the EM ex-China universe is tech-driven AI initiatives, especially in countries such as Taiwan and South Korea. These markets hold critical roles in global chip and AI supply chains.

For example, Taiwan is a global leader in semiconductor manufacturing, and its dominance in producing high-performance chips has made it indispensable for global tech giants who rely on the country’s technology. Additionally, South Korea is home to major tech companies who are leaders in memory chips and other components essential for AI processing and storage.

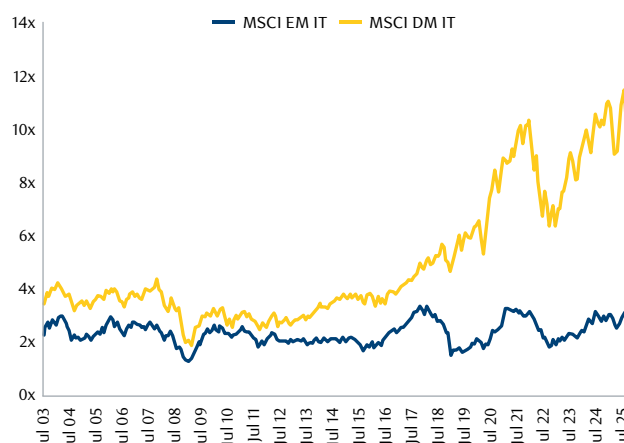
As AI adoption accelerates globally, both Taiwan and South Korea are likely to remain at the centre of this transformation, driving technological advancements and shaping the future of AI. By investing in this part of the EM universe, we are able to gain exposure to the IT sector and AI supply chain, but at more attractive valuation levels than in developed markets (Exhibit 6).

**Exhibit 5: Economic growth projections show accelerating growth in the Middle East**



Source: IMF, [World Economic Outlook Update, January 2025: Global Growth: Divergent and Uncertain](#), January 2025. Note: 2024 = estimate, 2025 and 2026 = projections.

**Exhibit 6: IT sector valuations in EM vs DM**



Source: MSCI, as at July 2025.

<sup>1</sup> [Worldometer - real time world statistics](#).

# RBC EM Equity: a differentiated approach

## Diverse and research-focused team

When asked about our strengths, we believe that a key differentiator is the team itself. We feel that our stable team, with low turnover, is testament to our culture. We have consciously built a diverse team in terms of backgrounds, personalities, and ways of thinking, while also creating a collaborative environment where everybody feels a strong sense of ownership and responsibility. We place an emphasis on discussion and debate to bring different perspectives to the table when evaluating investment opportunities. This approach has helped us build differentiated portfolios and avoid consensus calls.

Another factor that we feel has been an important source of competitive advantage is our strong focus on independent research. The team has the benefit of a broad pool of resources and information available through the global RBC platform, whilst at the same time we are given the autonomy to operate independently and make our own investment decisions. Within the team, we conduct a vast amount of research from both a top-down and bottom-up perspective, and everybody contributes to this research, as well as discussion and debate.

When it comes to the top-down, we focus on structural themes, while from a bottom-up perspective the objective is to assess the long-term durability of a company’s business practices and returns. Ultimately, our research has helped us avoid distraction from short-term earnings and market noise.



## Top-down thematic approach

Our main emphasis from a top-down standpoint is on investment themes, which allow us to position our portfolios in areas of long-term structural growth and avoid challenged industries where growth is in decline. We invest in five themes across our portfolios, all of which have been in place for several years and some since inception. The themes are: Domestic Consumption, Financialisation, Technology Transformation, Health & Wellness, and Future Infrastructure (Exhibit 7).

### Exhibit 7: Portfolio themes

Long-term thematic research drives top-down views

Investment themes	Ways to play
Domestic Consumption	<ul style="list-style-type: none"><li>▪ Value conscious</li><li>▪ Local brands</li><li>▪ Experiences</li></ul>
Financialisation	<ul style="list-style-type: none"><li>▪ Deposit franchises</li><li>▪ Behavioural insurance</li><li>▪ Capital markets</li></ul>
Technology Transformation	<ul style="list-style-type: none"><li>▪ Software and services</li><li>▪ AI enablers</li><li>▪ Smart manufacturing</li></ul>
Health & Wellness	<ul style="list-style-type: none"><li>▪ Healthy living</li><li>▪ Drugstores</li><li>▪ Medical services</li></ul>
Future Infrastructure	<ul style="list-style-type: none"><li>▪ Electrification</li><li>▪ Smart grid</li><li>▪ Transition materials</li></ul>

Source: RBC GAM, as at July 2025.

While these are multi-decade themes, we recognise that their drivers and ways to play may evolve over time. We therefore continuously review and refresh our thematic research. For example, within Domestic Consumption, we have made several changes including the recent introduction of Experiences, reflecting a shift in consumer spending patterns from material goods to experiential activities, driven by rising disposable incomes and GDP growth.

We also transitioned from Global to Local Brands, with the latter gaining market share since the Covid-19 pandemic due to improvements in the quality of their offering, their ability to cater to local tastes, and amidst supply chain disruptions experienced by global players.

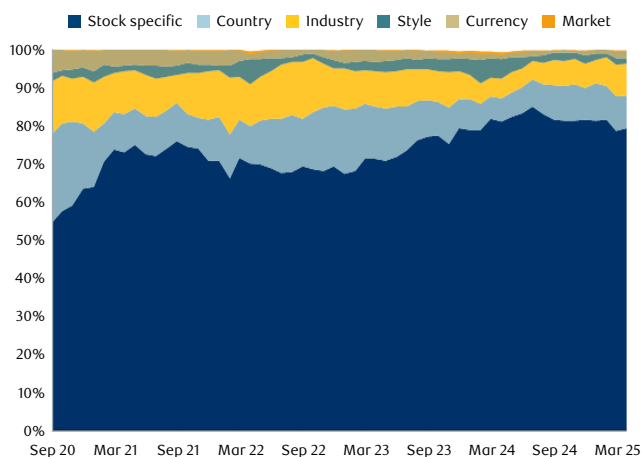
We closely monitor macroeconomic and political developments, largely from a risk mitigation standpoint and to help us identify any extremes.



## Focus on management quality

Within the investment process, our primary focus is on stock selection, with the majority of alpha and active risk deriving from stock specific sources (Exhibit 8).

**Exhibit 8: Share of total portfolio active risk versus MSCI EM ex-China Index**



Source: RBC GAM, Axioma (WW4), as at 30 June 2025.

When evaluating companies, there are three key areas of focus which we have found lead to long-term valuation creation: quality management, strong franchises, and durable business practices. One area that differentiates us is the emphasis we put on management. We have found that culture, return focus, clarity and execution of strategy, and investing for the future are particularly crucial elements when it comes to assessing management quality.

## Durability and ESG

While we have seen increasing interest in ESG-focused products in recent years, ESG has been a critical component of the team's investment philosophy and process since the very beginning. As a team, we have been publishing an annual ESG report since 2016. Ultimately, we believe companies that adopt a forward-thinking and proactive approach across a range of ESG factors are likely to have more durable practices and returns.

We conduct ESG research independently, with all team members responsible for ESG-related analysis as part of our rigorous investment process. We believe this structure ensures we can accurately assess a company's ESG credentials and better assess materiality, which is vital in an asset class where third-party ESG data and disclosure is still limited. Our approach also means we can more meaningfully engage with the companies in which we invest.

## Culture of continuous learning

Learning from our mistakes has been a defining factor in our team 'DNA'. We have been holding an annual team offsite since 2016, which has been our key platform for continuous learning and improvement. Over the years, we have made refinements to our investment process and research activities due to the lessons learned at the offsites. For example, we have observed that in the fund management industry, including in our own team, investors tend to place greater emphasis on and have achieved more success in buying stocks than selling them.

We also found that while we are broadly diversified across the team in terms of biases, there is an element of status quo bias meaning that we potentially hang on to some stocks for too long. As a result of these findings, we have implemented several measures through the years in order to enhance our sell discipline and to continuously challenge our conviction. Examples include introducing a formal portfolio sell note, conducting periodic alpha life cycle reviews, introducing stock debates by independent team members, and undertaking reviews of candidates for sale. This is just an example of the many lessons and iterative improvements we have made to our investment process over the years, and we look forward to continuing our path of learning and improvement.



## Investment team

Centralised, diverse, research-focused



**Philippe Langham**

Head of Emerging  
Markets Equity  
33 years of experience



**Laurence Bensafi**

Deputy Head of  
Emerging Markets Equity  
27 years of experience



**Guido Giammattei**

Portfolio Manager  
Taiwan & CEE<sup>1</sup>  
27 years of experience



**Veronique Erb**

Portfolio Manager  
Southeast Asia  
& Saudi Arabia  
25 years of experience



**Richard Farrell**

Portfolio Manager  
China  
20 years of experience



**Christoffer Enemaerke**

Portfolio Manager  
Latin America  
15 years of experience



**Ashna Yarashi-Shah**

Portfolio Manager  
India subcontinent  
13 years of experience



**James Bateson**

Portfolio Engineer  
8 years of experience



**Angel Su**

Associate Portfolio  
Manager  
China  
6 years of experience



**Will Hayes**

Senior Analyst  
South Africa & Korea  
10 years of experience



**Miya Tailor**

Associate Analyst  
2 years of experience



**Dijana Jelic**

Product Specialist  
14 years of experience

Source: RBC GAM, as at 30 September 2025. <sup>1</sup>Central & Eastern Europe.

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Published September 2025

RE/0286/09/25



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