

# PM Spotlight: Born to Manage Emerging Market Equities

**Elaine Tse** is a senior portfolio manager on Allspring's Total Emerging Markets Equity team. She brings deep understanding and lived experience to building and managing resilient emerging market (EM) portfolios.

Authors	Date	Topic
Elaine Tse	3/27/2026	PM Spotlight

## Key takeaways

- Even following several years of strong performance, EM valuations are still trading at roughly a 40% discount to U.S. equities.<sup>1</sup>
- The team projects earnings growth for 2026 and 2027 in the mid-teens, with some industry forecasts for 2026 at over 20%. Technology is driving much of this performance.
- They see opportunities across each EM region, including artificial intelligence (AI), financial services, defense spending, precious metals, and other commodities.

## Q: What was your path from growing up in Asia to managing emerging market equities?

**A:** I was born in Hong Kong, and I grew up in Hong Kong and Taiwan at a time when Shenzhen was a small fishing village on the mainland and Taiwan was known for manufacturing toys and athletic footwear. Today, Shenzhen is one of the world's largest ports, and Taiwan is a world-class technology hub. That pace of development is just short of miraculous.

Life was pretty simple back then. We really looked up to U.S. pop culture and dreamed of studying abroad, so I headed to the University of Pennsylvania where I was introduced to the world of finance. I was captivated by concepts like the time value of money and the equity risk premium. And I was also lucky to learn about the volatility of equity markets in real time during the crash of October 1987. After graduating, I headed to Wall Street, and like many of my peers, joined the investment banking division of a large firm. I started in the corporate finance department focusing on emerging markets. I remember going to IPO launches and hearing senior management telling their amazing growth stories, but I was really impressed by the tough analyst questions. So after graduating with my MBA from Harvard University, I jumped at an opportunity to work as an analyst covering Taiwan and worked my way up to eventually becoming a portfolio manager.

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## Q: How have the emerging markets fared recently, and where do you think the asset class is headed over the next five years or

so?

**A:** We're coming off an incredibly strong year, with the MSCI Emerging Markets Index up almost 34% in 2025—which, frankly, even exceeded our very optimistic expectations. Our team believes this is still the early innings of a multi-year upcycle similar to the last one we saw from 2000 to 2010 when the MSCI EM Index outperformed the S&P 500 Index. And even with last year's strong performance, valuations are still very compelling, at roughly a 40% discount to U.S. equities. We like that because earnings growth is high and it continues to be revised up. We had been projecting mid-teens earnings growth for 2026 and 2027, and we've recently seen forecasts for 2026 being revised up to over 20%, driven by the technology sector. In addition to such impressive earnings growth, political visibility and fiscal conditions have improved. We believe this type of environment calls for a reduction in the risk premium and supports further rerating of the equity markets. That leads our team to believe that EMs should no longer trade at such a big discount to developed markets—or at any discount at all.

At the same time, developed markets—including the U.S.—have had very high and rising debt levels, whereas many of the large EM countries have been on a path of fiscal consolidation. These governments are trying to cut deficits to below 3% or 4% of gross domestic product, and we're seeing some success here. I think this is one of the conditions driving a lower equity risk premium and rerating for the EM countries.

## **Q: Where are you seeing the most compelling investment opportunities today?**

**A:** We see opportunities across every region, but I'll start with North Asia. This is where we've been touting the EM AI opportunity since 2023, and we continue to favor the AI supply chain in Taiwan and Korea. It's a little reminiscent of the strong demand we saw for materials in the early 2000s, which was more about building infrastructure and developing real estate.

We also expect China to continue to impress in innovation and technological leadership, including in open-source large language models. It used to be that China was 5 to 10 years behind the U.S. on leading technology, but we think that gap has narrowed to 2 to 3 years at most for AI. This really speaks to China's strength in having a cost advantage that spurs faster and more widespread product adoption. That adoption is also happening in many other countries in the world. Even Africa is adopting AI at this stage because of China's offering.

We're equally excited by some of the smaller countries in Europe, the Middle East, and Africa. One of the biggest changes we saw in 2025 as a result of U.S. foreign policy was the large European countries investing more heavily in defense and upgrading their industrial base. Emerging European countries should benefit tremendously from that stimulus. Poland, for instance, is one of the fastest-growing economies in Europe. We like the financial sector and construction in Poland, and we also like banks in Hungary.

As the price of gold has surged, we've seen very strong opportunities with gold and platinum miners in South Africa. We're actually rotating to different domestic opportunities in South Africa, including banks and the consumer sector. The country is on a solid fiscal consolidation path. With inflation contained, there's room for the central bank to further cut rates. The currency has held up very well, and the government has been stable and able to carry out reforms. These are normally the kind of conditions we look for in EM countries that add confidence to country views.

I've talked a lot about technology, but we also like Latin America for commodities. So, beyond gold investments in South Africa, we look to Mexico and Peru for silver exposure. We're also very positive on copper and aluminum for the medium term to meet demand for renewable

energy and grid upgrades, electric and autonomous vehicles, AI data infrastructure, and more. That's reflected in our positive views on Mexico, Peru, and Chile, and we're hopeful that rare earth materials will play out for Brazil.

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## Q: How are investors allocating to EM equities? Does that reflect your view of opportunities?

**A:** Global investors are still, on average, very underweight emerging markets versus a neutral MSCI All Country World Index weight of 11%. That's against the strong performance of 2025 and the solid three-year track record of double-digit returns, on average. Performance like that tends to capture the attention of long-term institutional and individual investors. We've started seeing this in strong inflows to EM strategies, including renewed interest for actively managed exposure. We're very optimistic—we expect that underweight will narrow, with more assets going to actively managed funds.

## Q: Why do you think interest is growing for actively managed funds?

**A:** There seems to be growing awareness of how actively managed EM funds have the opportunity to reduce exposure to unintended risks, whereas index funds invest according to the index. So, for example, when we see geopolitical risks arising, we can move quickly to adjust our exposure. That was the case with Russia, which is a large part of the MSCI EM Index. We moved quickly when we sensed tensions rising with Ukraine. I think most investors have generally been aware of the upside potential for active management, but they're increasingly attracted to the potential for active management to reduce downside risk. I believe the exit points are key for driving long-term outperformance.

Last year highlighted the need for investors to diversify their exposure, and we see active management as a way to aim for higher returns and better manage unintended risks than index funds. Foreign and trade policies appear to be driving a global realignment, with trading blocks being dismantled and new ones forming. In a new world order, we see emerging markets taking a much more significant role. Even when tariffs and trade pressures rose against some EM countries last year, we were impressed by their resilience. So when we talk about global portfolios, I think it becomes a risk to ignore emerging markets. In my mind, the best portfolio should always reflect the best set of opportunities—wherever they are globally.

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1. Source: FactSet as of 31-Dec-25

**The equity risk premium** is the excess return investors expect to earn above the risk-free rate of Treasury bills by investing in the stock market.

**You cannot invest directly in an index.**

**The Morgan Stanley Capital International (MSCI) Emerging Markets (EM) Index** is a market-capitalization-weighted index that is designed to measure equity market performance of emerging markets.

### **Standard & Poor's 500 Index (S&P 500 Index)**

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value.

**The Morgan Stanley Capital International (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. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging markets country indexes. The developed markets country indexes included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The emerging markets country indexes included are Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

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