


An Unlikely Haven: Why Emerging Markets May Be the Rational Response to Irrational Prices

March 2026





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Source: Trelia Wealth Partners. As at November 2025.

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The big picture

Why the consensus may be the biggest risk

For decades, emerging markets were the risk allocation. Today, they may represent the more defensive positioning — while the traditional ‘safe’ allocation carries an underappreciated risk of permanent capital loss.

- 1 Valuation discipline**
US equities trade at historically extreme multiples. EM offers superior growth at half the price.
- 2 Structural diversification**
EM economies are dancing to their own tune — driven by domestic consumption, not Western export cycles.
- 3 The margin of safety**
Change is difficult to predict, but you can put yourself in the way of good luck.

The US valuation problem

The S&P 500 trades above 21x forward earnings with the top 10 stocks accounting for over 35% of the index. History suggests these starting valuations reliably produce low or negative real returns over the following decade. The ‘safe’ allocation is anything but.

The capital flow shift

The US depends on foreign capital to fund its twin deficits. Chinese companies hold trillions in offshore assets and are now repatriating under domestic pressure. If global capital flows reverse — even modestly — expect higher US real rates, a weaker dollar, and a repricing of the assets that have benefited most from two decades of inflows.

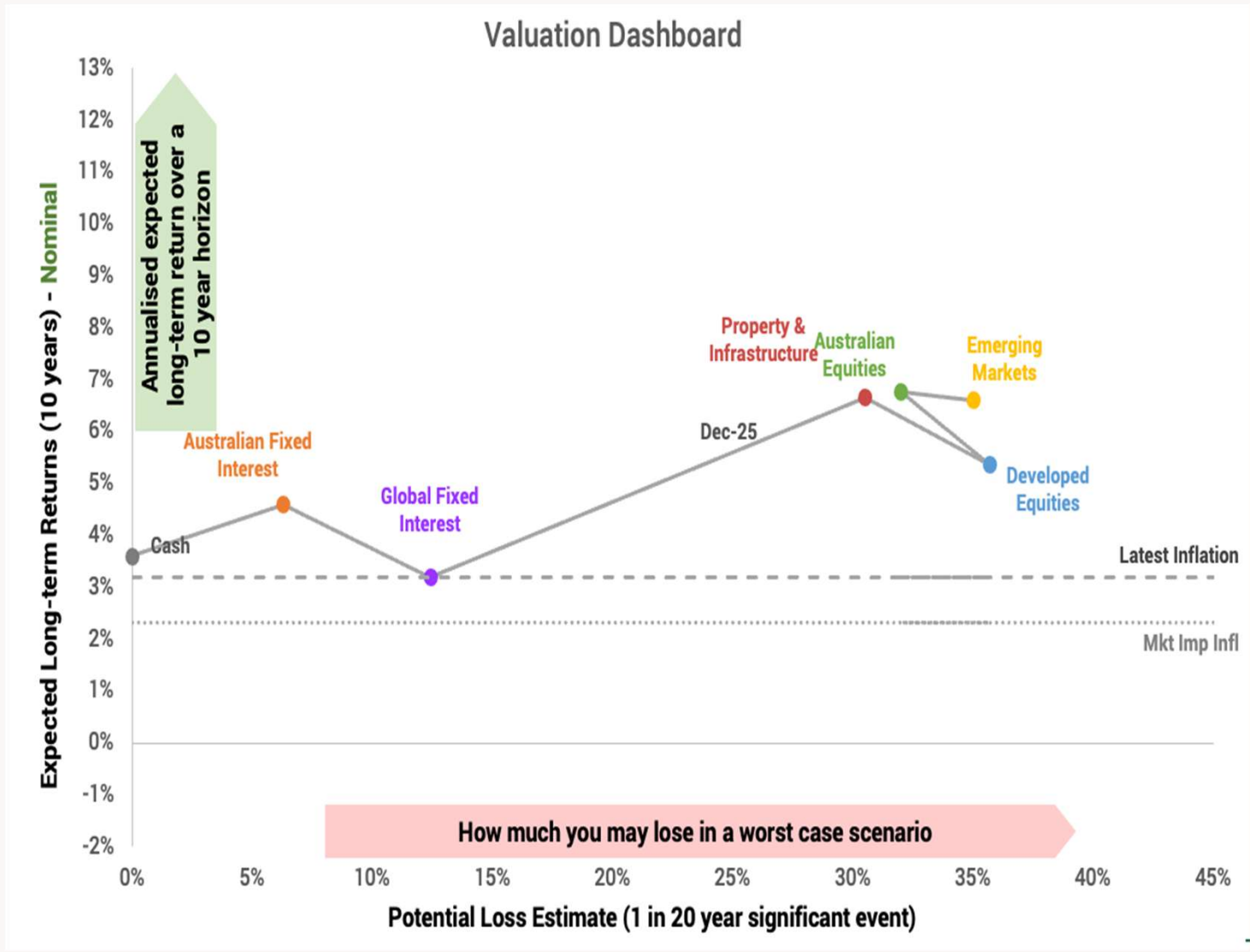
The EM opportunity

EM equities offer 13–25% forward EPS growth at 11–12x earnings. Domestically driven economies are structurally less correlated with the US cycle. Even Australian equities are highly correlated with most Western markets, EM now offers genuine diversification alongside a superior margin of safety.

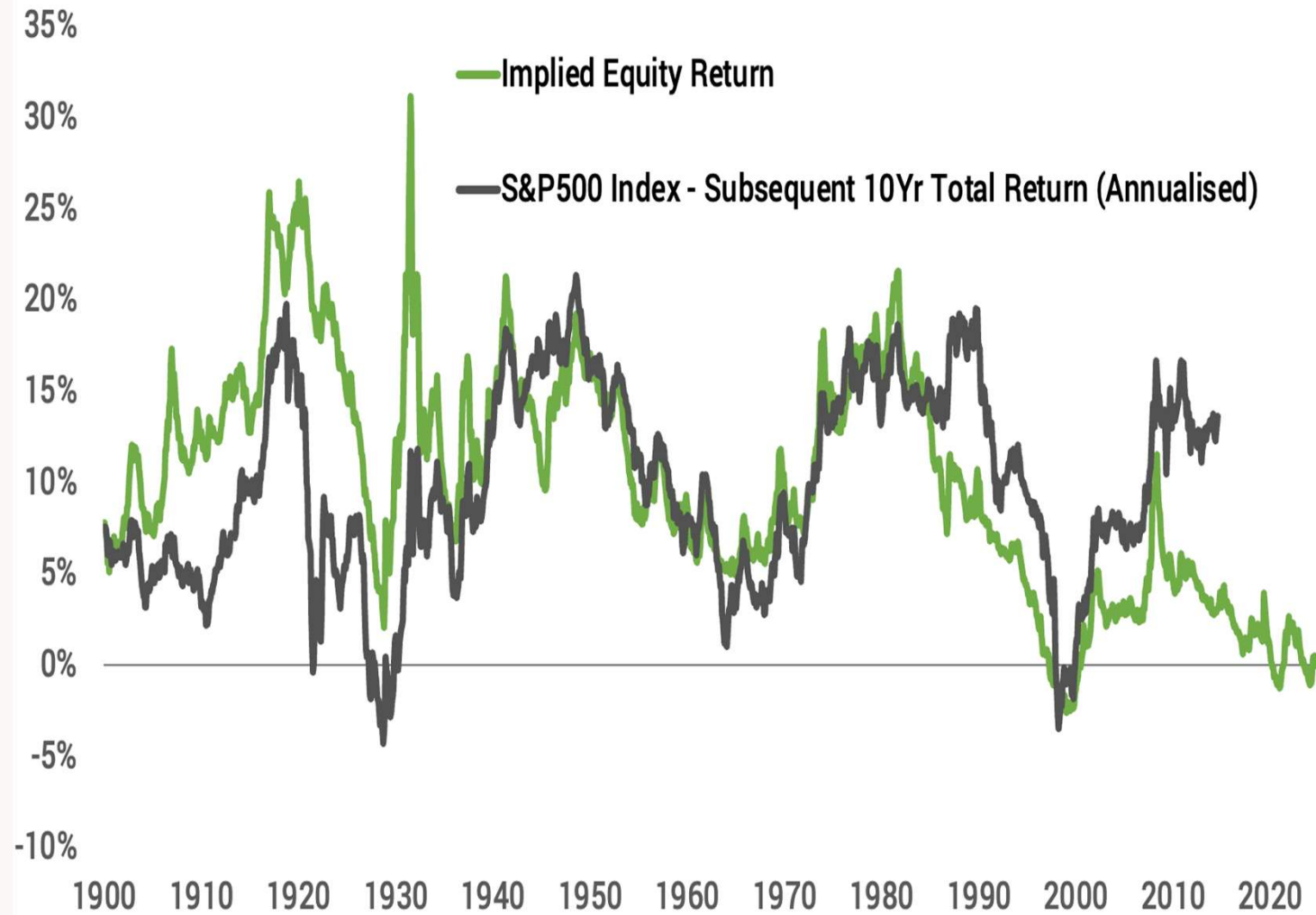
Data as of Jan 2026 · Sources: Bloomberg, MSCI, IMF, FactSet

Valuation Dashboard

Source: InvestSense. Note: Forward-looking estimates are based on InvestSense's Valuation Dashboard methodology and are provided for illustrative purposes only. Future outcomes are inherently uncertain. Actual outcomes may differ materially.



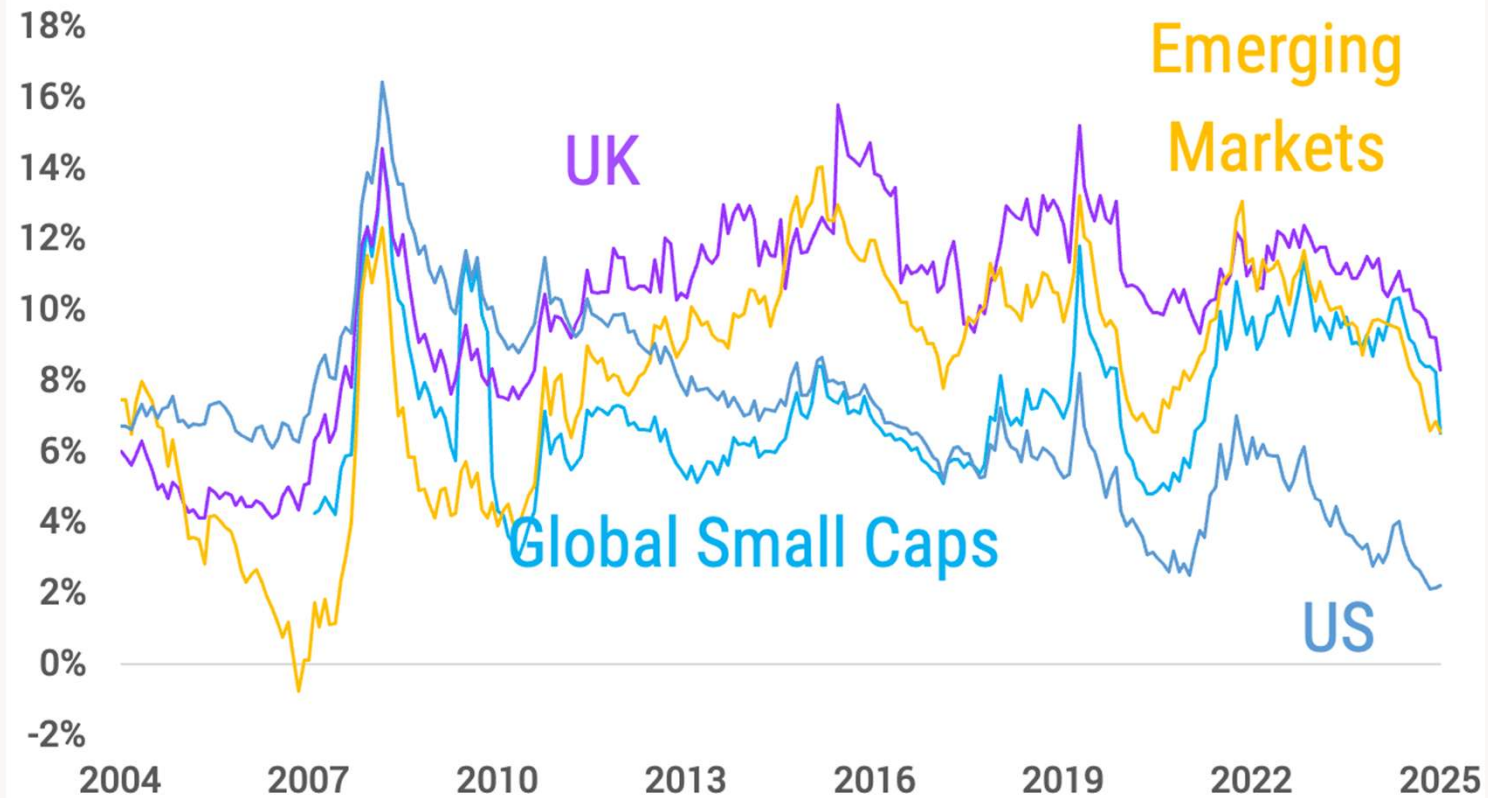
Implied Equity Return vs S&P 500



Source: Shiller, Bloomberg, InvestSense

Source Shiller, Bloomberg, InvestSense

Expected Returns by Region

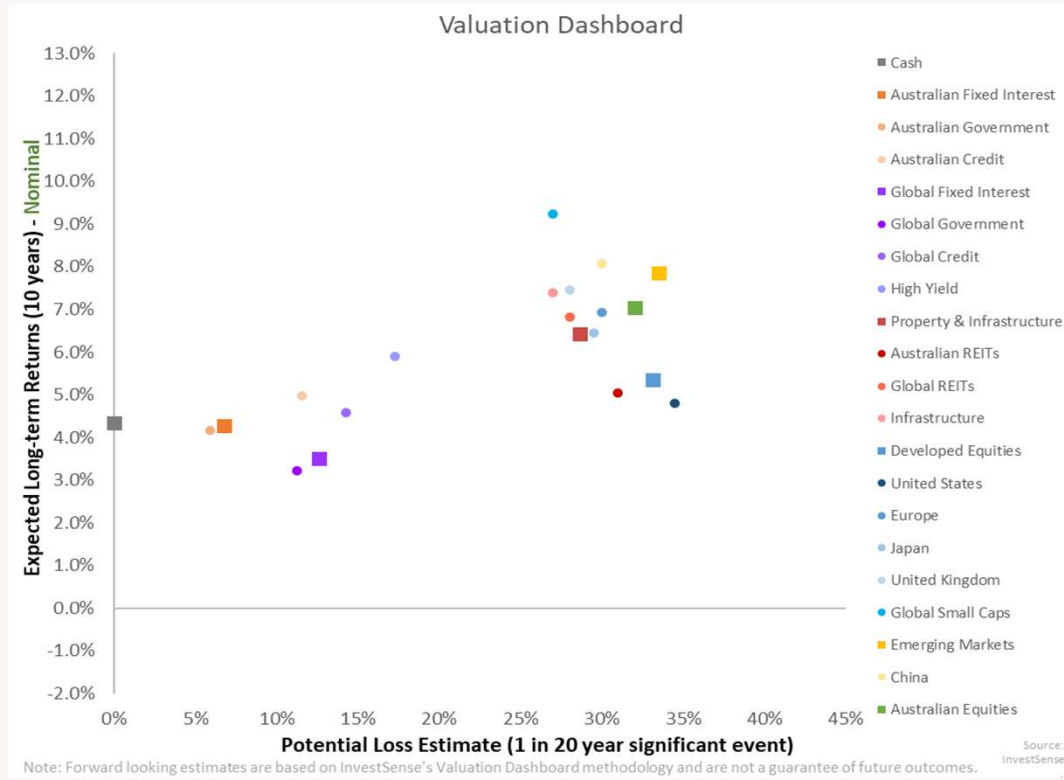


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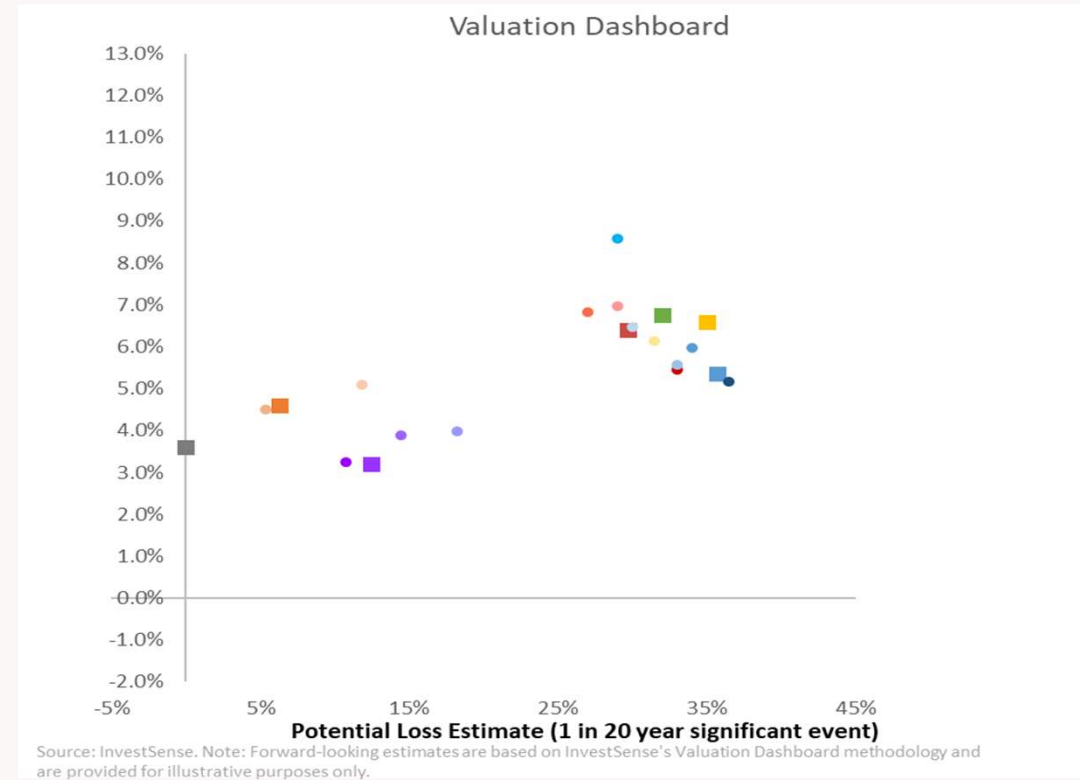
Valuation Dashboard

Sub-asset classes

December 2024



December 2025



XYZ Fund Manager Performance

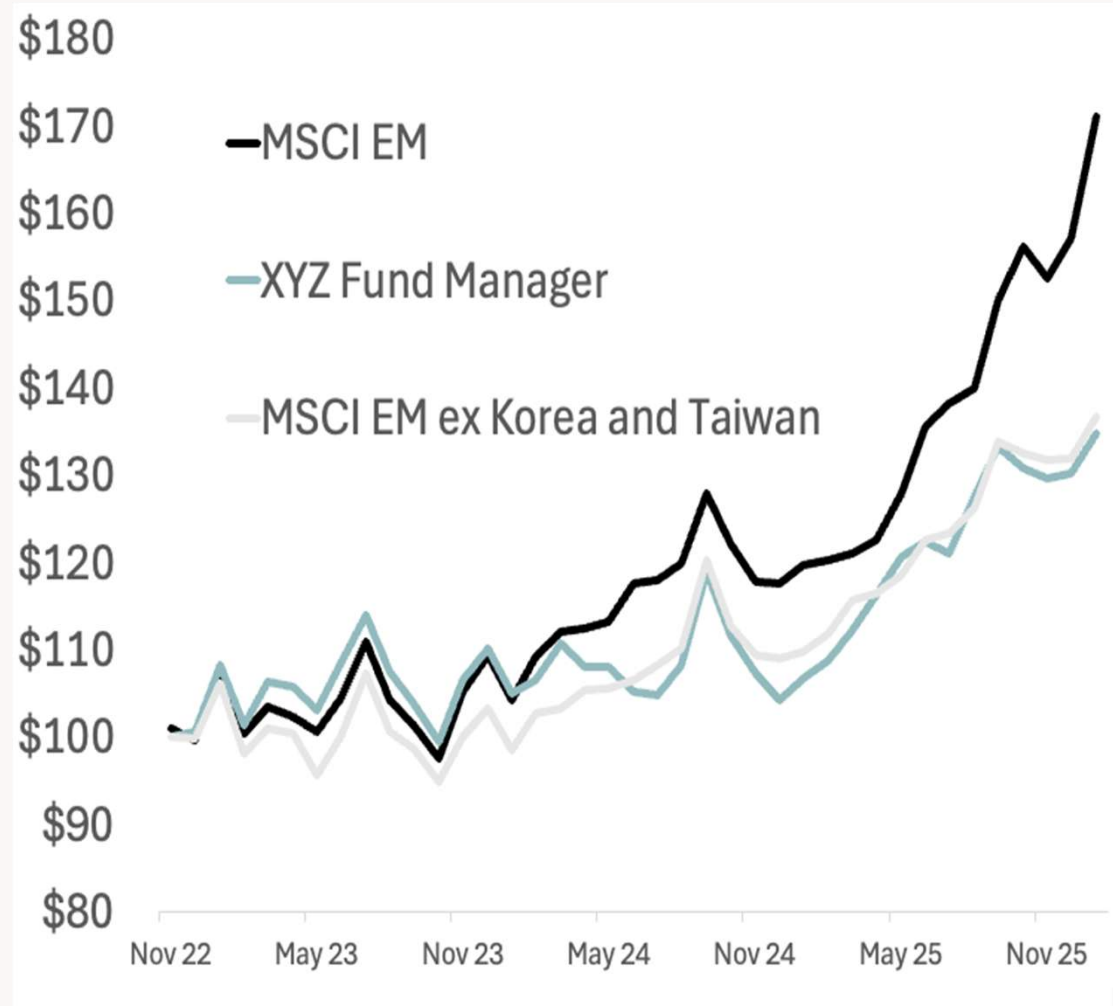
Cumulative Return (Indexed to 100)

Key Takeaway

Since inception, XYZ Fund Manager has delivered competitive returns against both the MSCI EM Index and the MSCI EM ex Korea & Taiwan benchmark.

The portfolio focuses on true emerging markets — excluding Korea and Taiwan. The MSCI EM Index has benefited from Korea and Taiwan's tech rally, yet XYZ Fund Manager has kept pace through superior stock selection.

Data as of Jan 2026 · Sources: Bloomberg, MSCI, FE fundinfo, XYZ Fund Manager



EM Weight in Global Indices

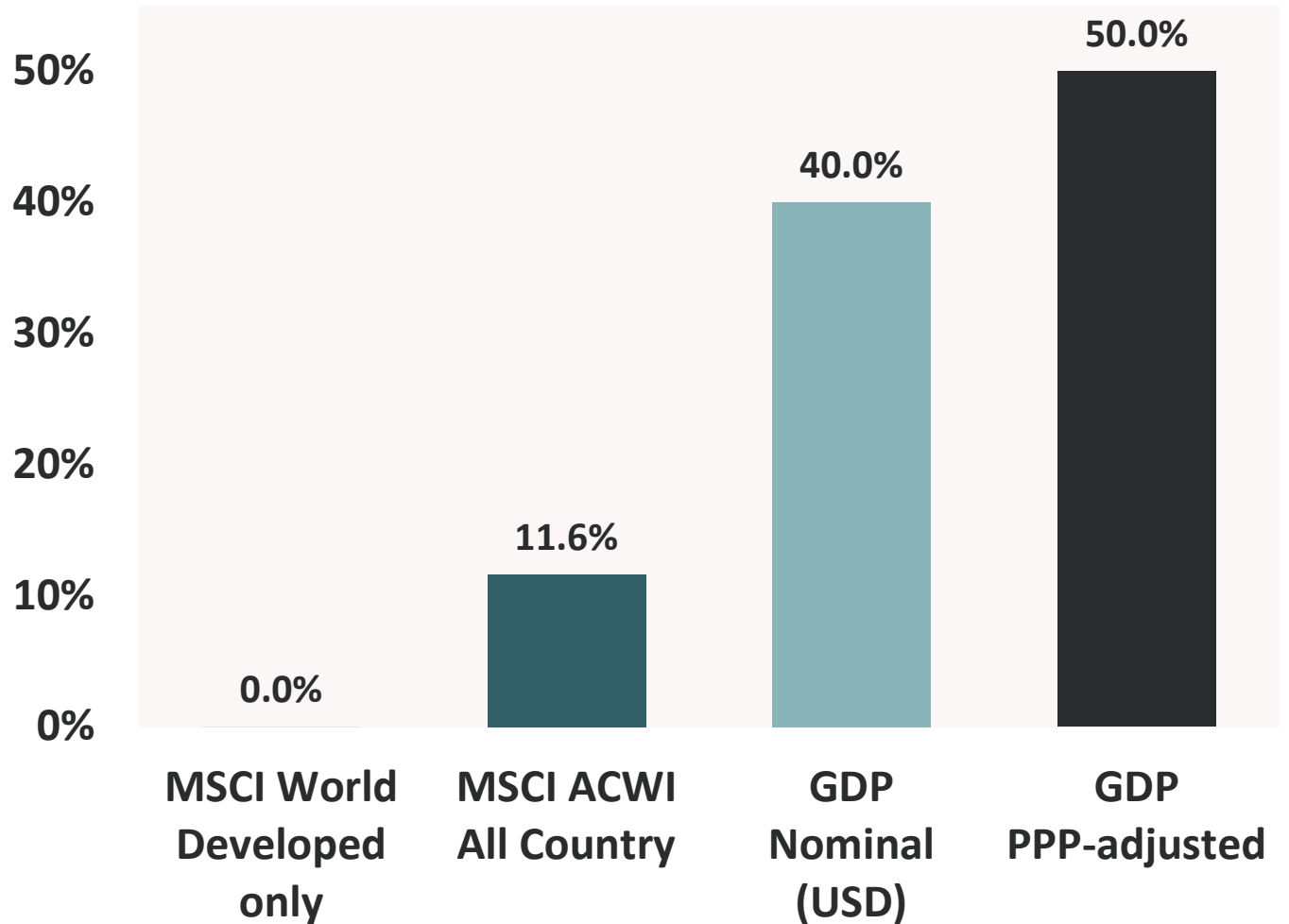
Index Weight vs Economic Weight

Key Takeaway

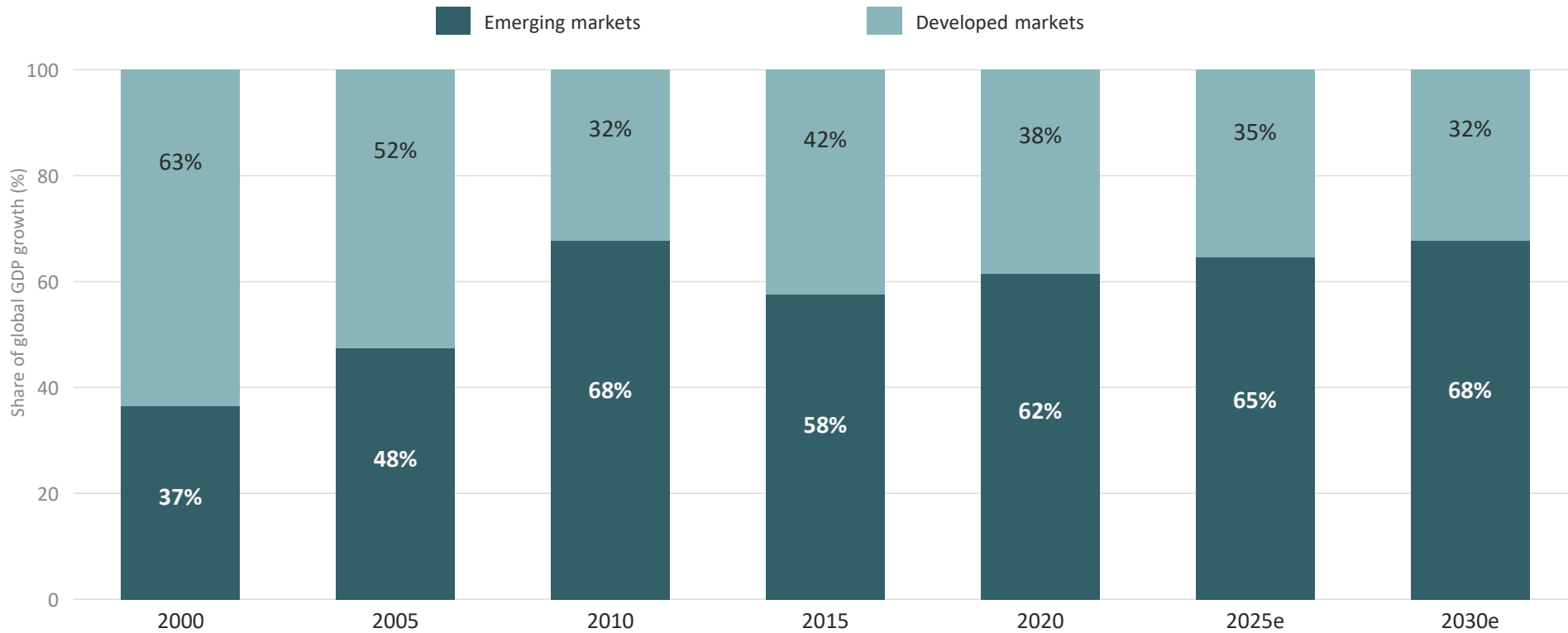
Emerging markets represent roughly half of world GDP on a PPP basis, yet account for only 11.6% of the MSCI ACWI — and 0% of the MSCI World index.

This gap highlights a significant underrepresentation of EM economic output in market-cap weighted equity indices.

Data as of Jan 2026 · Sources: MSCI, IMF WEO



If you want growth in portfolios much of it is probably going to have to come from emerging markets



Source: IMF World Economic Outlook, January 2026. 2025e and 2030e are IMF projections.

Higher Growth, Lower Volatility

EPS Growth (CAGR) and Annualised Volatility
Volatility

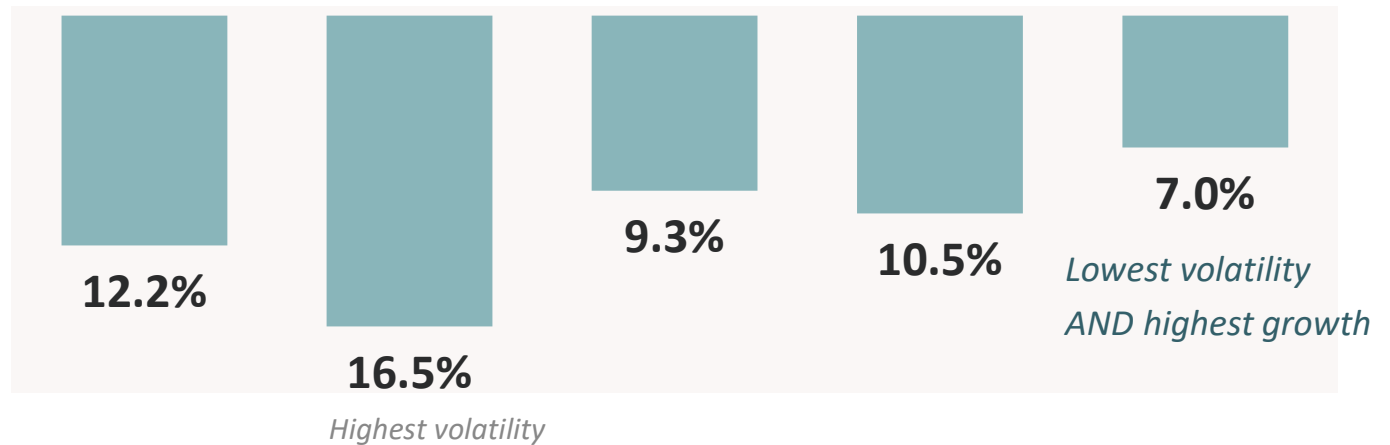
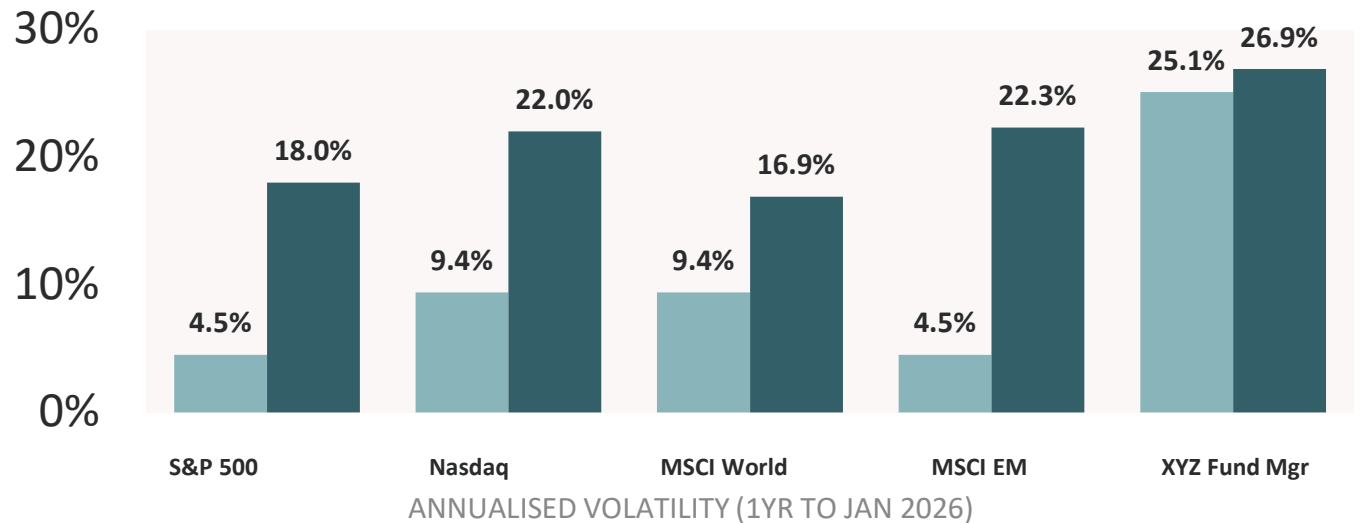
Key Takeaway

Emerging markets are not only outgrowing developed markets — they’re doing it with less risk.

XYZ Fund Manager stands out with the highest EPS growth (26.9%+) and the lowest volatility (7.0%) of any major index.
The old narrative of EM as a “high-beta risk trade” no trade” no longer holds.

Data as of Feb 2026 · Sources: Bloomberg, MSCI, FE fundinfo, XYZ Fund Manager

■ Historical (3Yr CAGR) ■ Forward (3Yr Consensus CAGR)



More Growth, Less Risk

3Yr Forward EPS Growth vs Forward P/E

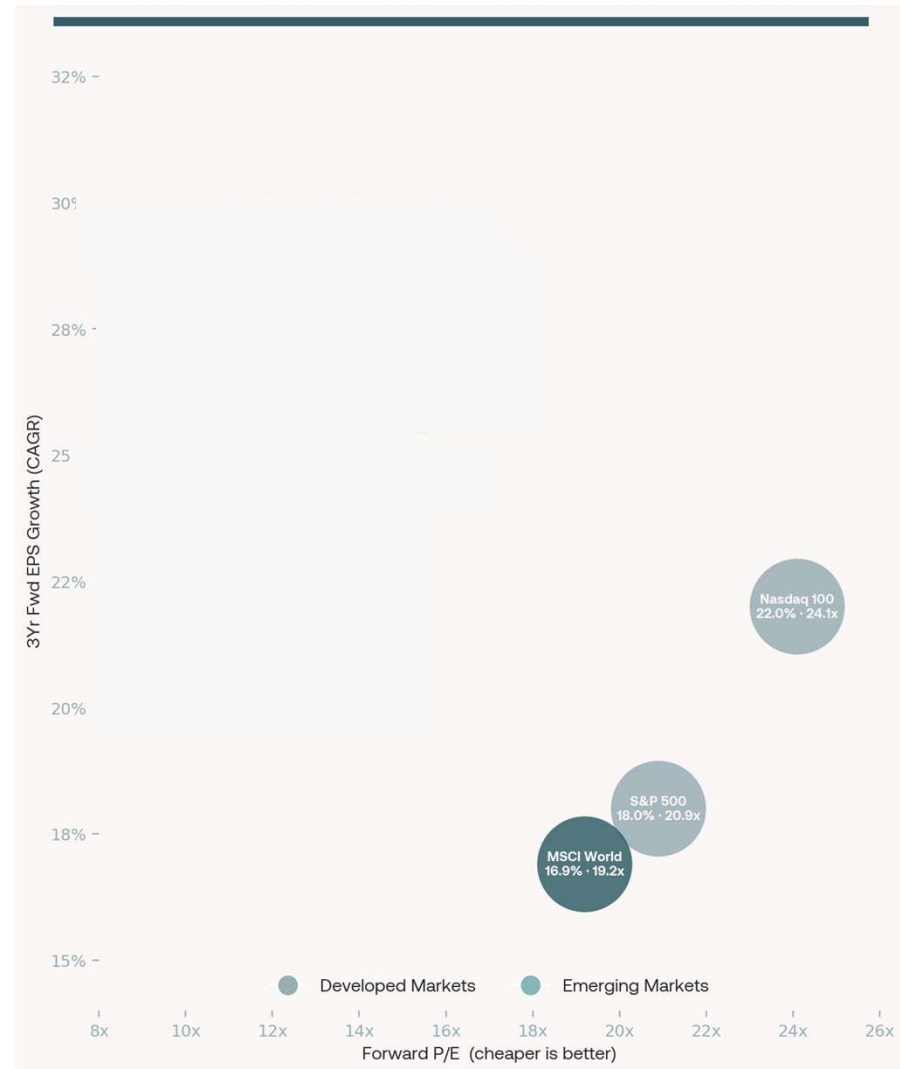
Key Takeaway

MSCI EM offers **22.3% forward EPS growth** at just **12.4x earnings** — cheaper and faster-growing than the S&P S&P 500 or Nasdaq.

Trinetra's concentrated "true EM" portfolio delivers **26.9% forward EPS growth** at a similar valuation (11.4x).

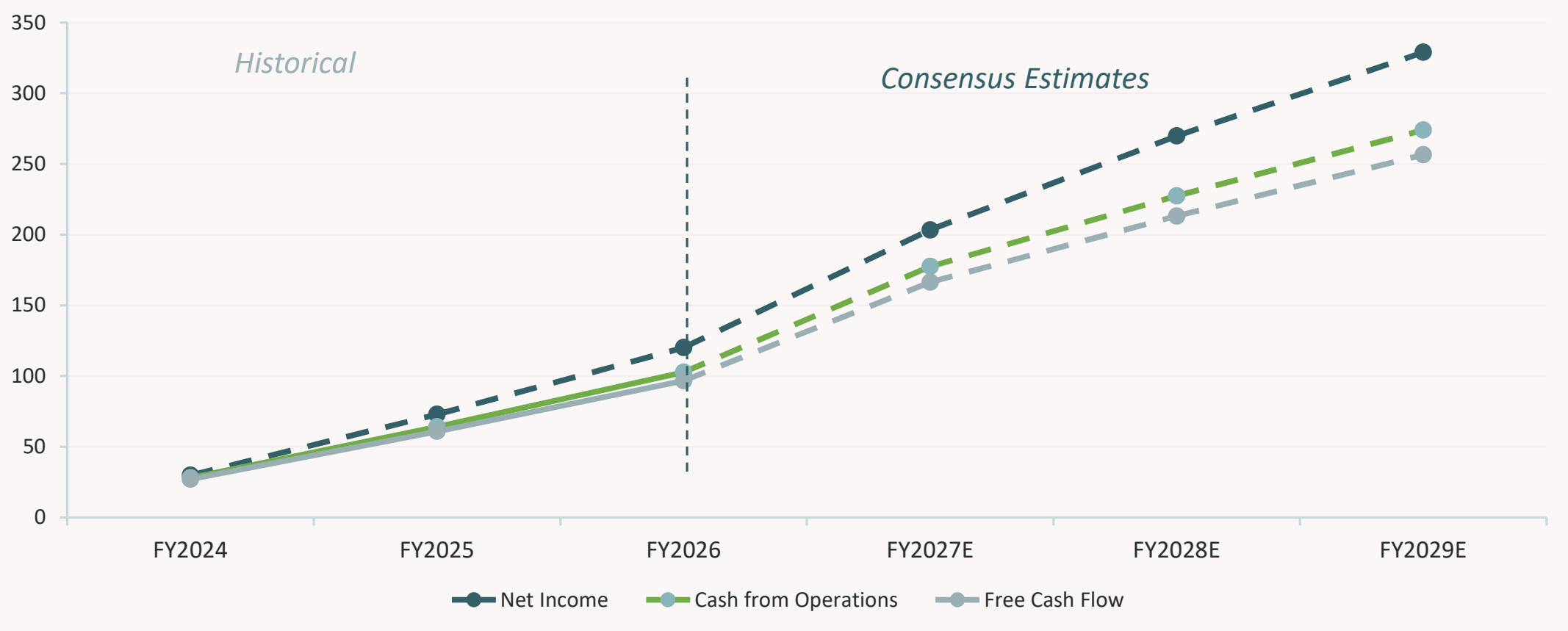
Same valuation, nearly 2x the growth.

Data as of Feb 2026 · Sources: Bloomberg, MSCI, Trinetra

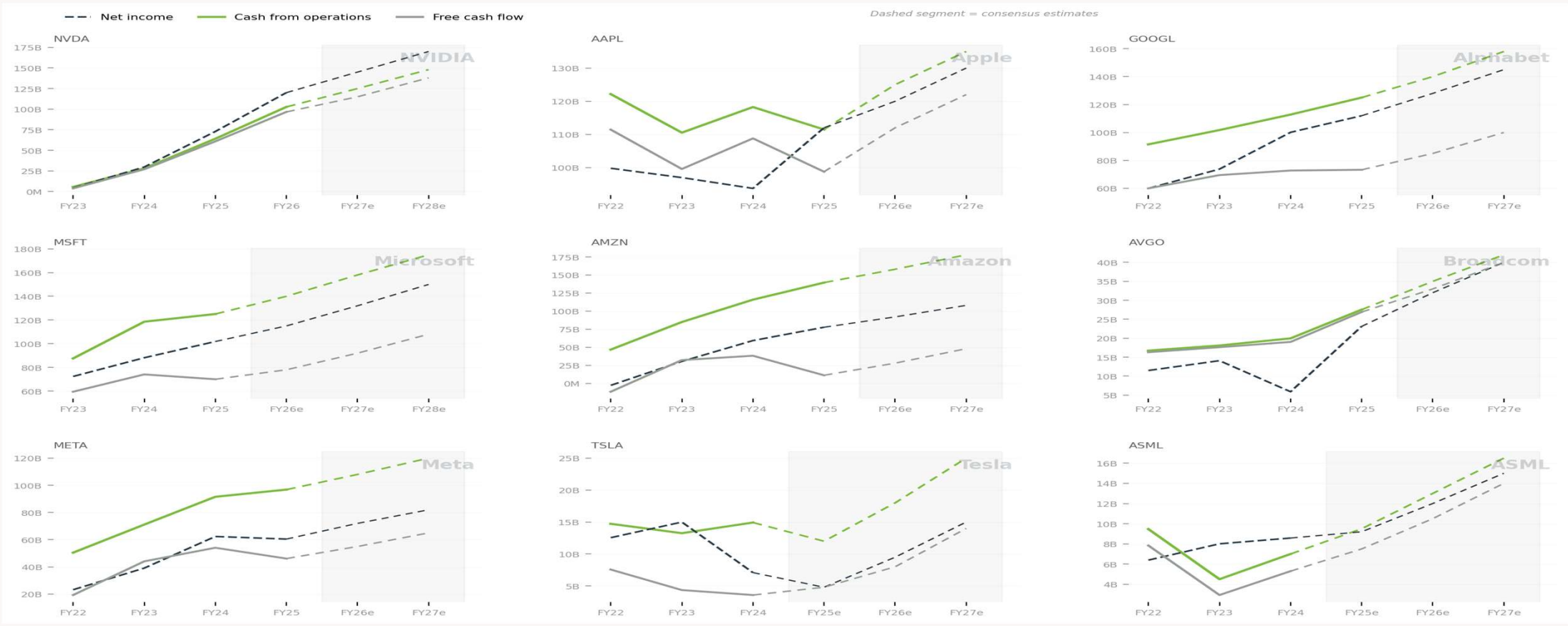


NVIDIA – Earnings & Free Cash Flow Growth

3-Year Historical | 3-Year Forward Consensus Estimates | NASDAQ: NVDA

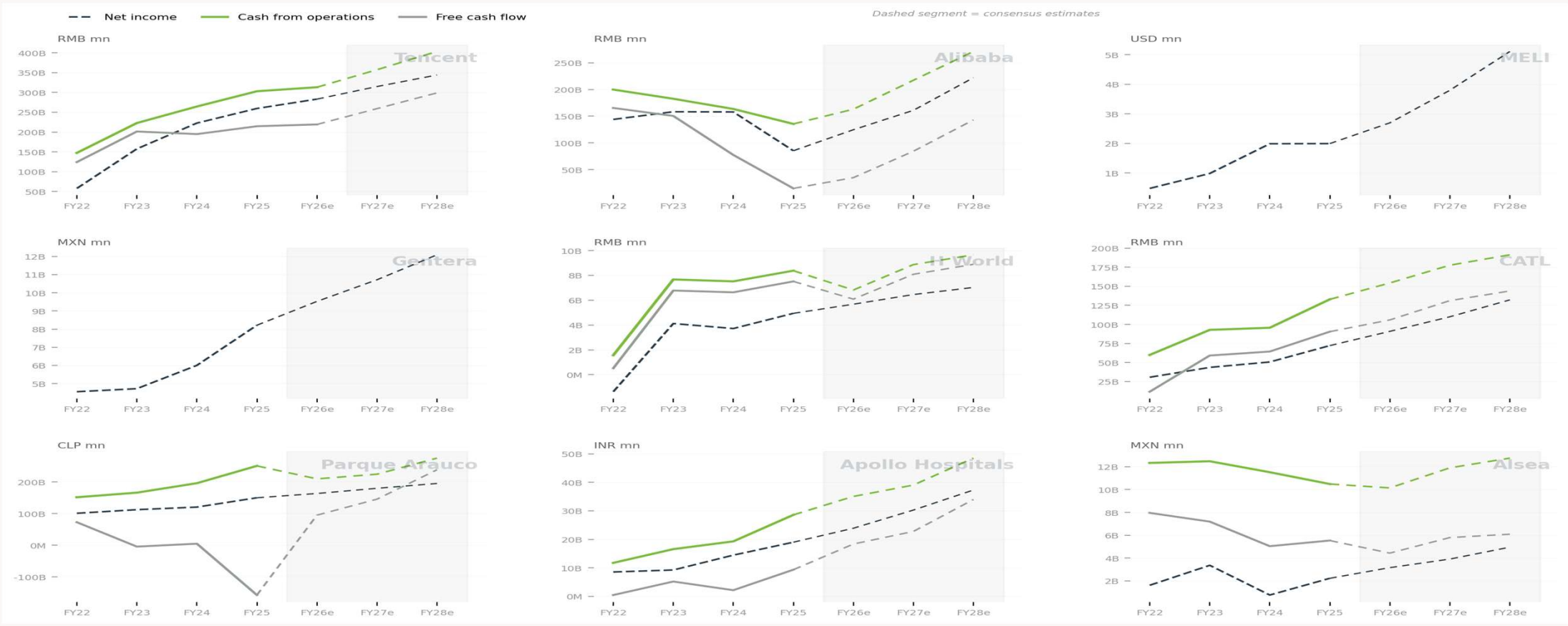


Nasdaq – Top Holdings: Earnings and Free Cash Flow Growth



Source: Bloomberg, company filings, consensus estimates

XYZ Portfolio – Top Holdings: Earnings and Free Cash Flow Growth



Source: Bloomberg, company filings, consensus estimates

The Case for Emerging Markets

1. Not So “Emerging” Anymore

- EM economies now represent ~50% of world GDP (PPP) and ~40% nominal — up from just 25% in 2000
- **EM will account for nearly two-thirds of global growth in 2026, growing ~3x faster than developed markets**
- MSCI EM forward EPS growth of 13.9% CAGR rivals even the Nasdaq (14.9%) but at half the valuation (11.3x vs 21.9x fwd P/E)
- Korea and Taiwan — classified as “emerging” by MSCI — are advanced, high-income tech economies. Excluding them reveals the true opportunity: XYZ Fund Manager delivers 25.2% fwd EPS CAGR at just 11.4x 3-year forward earnings

2. Natural Diversification in a Deglobalising World

- Historically, EM equities were high-beta proxies for Western markets — rising and falling in lockstep with the S&P 500, offering little true diversification
- **Today, EM economies are increasingly driven by domestic consumption, regional trade blocs, and distinct monetary policy cycles**
- Deglobalisation and supply-chain reshoring are creating structurally lower correlations between EM and developed markets — and between individual EM countries themselves
- India, Vietnam, Indonesia, Brazil each have unique growth drivers — this is no longer a monolithic “risk-on” trade
- For portfolios concentrated in US/Western equities, EM now offers genuine portfolio-level risk reduction alongside superior return prospects



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