Acadian Asset Management LLC
Emerging Markets Portfolio
Fourth Quarter 2024

Performance

The Acadian Emerging Markets Portfolio returned -4.76% (net of fees) for the quarter, relative to a return of -7.84% for the MSCI Emerging Markets Equity Index. †

Commentary

Global markets added to their 2024 positive performance run in the fourth quarter, rising 1.9%. Gains were supported by falling inflation and the ensuing rate cuts by major central banks. Both the U.S. Federal Reserve (Fed) and the European Central Bank (ECB) reduced rates twice during the quarter. However, uncertainties around the incoming Trump administration's trade policies weighed on markets, paring back some of those gains. Developed markets outperformed emerging markets as U.S. equities strengthened amid prospects of deregulation in the country following the elections. At the same time, emerging markets suffered due to anticipation of more protectionist policies in the U.S., with China and India leading these losses. Japanese stocks were a standout, outperforming all the major economies in the period. The Bank of Japan (BoJ), however, decided to tread cautiously on rate hikes amid uncertainty around Trump's future economic policies.

Against this backdrop, the Acadian Emerging Markets Portfolio outperformed its benchmark† by 308 basis points for the quarter ending December 31, 2024.

At the country level, stock selection contributed to return, while country allocations were also positive. Key sources of positive active return included a combination of stock selection and overweight positions in Taiwan and China, and a combination of stock selection and underweight positions in India and South Korea. Meanwhile, detractors included an underweight position in both Kuwait and Turkey, and a combination of stock selection and an underweight position in Malaysia.

From a sector perspective, key sources of positive active return included a combination of stock selection and an overweight position in information technology, a combination of stock selection and an underweight position in materials, and stock selection in industrials and financials. Detractors included a combination of stock selection and an overweight position in energy and stock selection in communication services.

†Source of index returns: MSCI. Copyright 2025 MSCI

Outlook

The OECD expects U.S. GDP to grow 2.4% in 2025, before slowing to a 2.1% increase in 2026. The slowdown will likely be accompanied by a rise in unemployment. The U.S. economy is still expected to experience a soft landing, but risks related to labor shortages and potential tariffs remain elevated. The Fed expects to cut rates at a slower pace in 2025 as officials wait to see what policies President-elect Donald Trump will impose and their effect on the economy.

The Euro area is expected to grow at almost double its rate from 2024 – at 1.3% and 1.5% in 2025 and 2026, respectively, as real income grows faster than inflation. Inflation is expected to cool down to 2.1% in 2025. The OECD also raised its 2025 forecast for the UK's economic growth – to 1.7% from 1.2%, citing a bump in government spending.

The OECD projects Australia's GDP to grow 1.9% and 2.5% in 2025 and 2026, respectively. Australia's economy will likely recover gradually in 2025, after experiencing the slowest growth in 32 years in 2024 due to sticky core inflation and high interest rates. Inflation has been slowly easing. However, stagnant labor productivity growth due to weakening demand may keep inflation high. The Reserve Bank of Australia believes growth in household consumption will rise as income growth increases in 2025.

The OECD projects Japan to grow 1.5% in 2025 as real wages rise, due to wage hikes and solid bonuses. Meanwhile, the BoJ is expected to hike rates two or three times in 2025, possibly taking the benchmark rate to 1% for the first time in three decades.

The OECD believes the Chinese economy will grow 4.7% in 2025 as government stimulus spending is partially offset by falling consumer demand and the real estate crisis. However, falling consumer confidence amid fears of a potential escalation in the U.S.-China trade war is likely to limit the impact of policy measures announced by the Chinese government to shore up the economy and boost domestic consumption.

The OECD projects the Indian economy to grow 6.9% in 2025. Falling inflation is likely to drive consumption higher, increasing private investment in the consumer goods segment. Furthermore, growth in the service sector, an improved macroeconomic policy framework, and strong domestic demand will likely ensure India remains the fastest-growing economy in 2025.

The OECD now projects the Brazilian economy to grow 2.3% in 2025 on strong domestic demand and increased oil output.

The OECD expects South Korea's economy to grow 2.1% in both 2025 and 2026. The possible slowdown can be attributed to weakening export growth and a sluggish recovery in domestic demand. Additionally, potential import tariffs by the US could hurt the country's semiconductor exporters.

Performance data quoted represents past performance. Past performance does not guarantee future results. Annualized performance as of December 31, 2024 is: 13.93% (1 Year); 5.65% (5 Years), and 4.95% (10 Years). 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. Total expense ratio for the fund is 1.32%. Shareholders may pay a redemption fee of 2% when they redeem shares held for less than 90 days. For performance data current to the most recent month end, please call 1-866-AAM-6161. The fund's benchmark was changed March 1, 2012 to the MSCI Emerging Markets Index. Prior to that, the benchmark had been the IFC Investable Index.

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.

Mutual fund investing involves risk including loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. The fund is non-diversified.

To determine if this fund is an appropriate investment for you, carefully consider the fund's objectives, risk factors, charges, and expenses before investing. This and other information can be found in the fund's full and summary prospectuses, which can be obtained by calling 1-866-AAM-6161. Please read the prospectus carefully before investing.

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