FUND COMMENTARY as of 30 June 2022

American Century Emerging Markets Equity Fund

a sub-fund of Nomura Funds Ireland plc

Portfolio Positioning Highlights

Finding opportunities in consumer discretionary. We increased exposure to the sector, adding to positions in Chinese online retailer JD.com, South African internet group Naspers and education provider China Education Group Holdings. We reduced exposure to the financials sector by exiting Bajaj Finance and trimming several bank holdings, including India-based ICICI Bank and Al Rajhi Bank, as well as South Korea-based Hana Financial Group. Geographically, we increased exposure to China through a new position in hotel chain Huazhu Group and by adding to existing positions, including shopping platform Meituan. We reduced exposure to South Korea, in part by exiting chipmaker SK Hynix and internet conglomerate Naver.

Market Review

Emerging markets (EM) equities declined, outperformed developed markets. Investor skepticism toward risk assets deepened during the month as worse-than-expected U.S. inflation, hovering at a 40-year high, roiled global assets. As recessionary fears intensified, equities in commodity-driven markets suffered significant losses. Weakening global consumer demand weighed on Asian technology heavyweights.

Taiwanese stocks fell sharply. The market recorded its largest monthly decline since March 2020 amid fears of recession and hawkish moves by the U.S. Fed. Technology-related stocks bore the brunt of a broader sell-off amid growing order cuts from fabless vendors. An increasing number of firms toned down their outlook on consumer electronics demand amid rising inflation.

Chinese stocks advanced, sharply outperforming EM. Continuous fiscal support on consumption, reopening in Shanghai and the broad relaxation of mobility restrictions supported the rally, as did signals surrounding a possible reduction in U.S. tariffs. A rotation to growth supported automotive, advanced manufacturing and decarbonization supply chain stocks, while travel and lodging stocks benefited from reopening.

Key Contributors

BYD. The automaker reported strong sales volumes due to continuing strong demand and ramping up supply. We believe BYD's accelerating product cycle into a wider and higher pricing spectrum will likely drive volume and margins higher, while its strong new-energy vehicle product cycle and battery technology could boost earnings.

Contemporary Amperex Technology Co. The electric vehicle (EV) battery maker advanced with EV penetration set to accelerate, amid market share gains and a growing backlog. CATL launched its third-generation battery system in June, demonstrating innovation that improved the battery pack's volume utilization efficiency.

Key Detractors

Petro Rio. The energy firm was weak with the broader Brazilian equity market and the Brazilian real, as the market priced in a higher inflation and interest rate outlook. Uncertainties around the expected Chinese recovery and discussions of a possible U.S. recession weighed on shares.

Hana Financial Group. Shares of the South Korean bank were weak in June due to the steep depreciation of the Korean won, sluggish loan growth and rising regulatory risks, which may pressure Hana's pricing. We trimmed the position in June.

Notable Buys

Huazhu Group. We added the China-based hotel chain, which will be known as H World Group as of July 13, 2022, amid recovering revenue per available room (RevPAR) as pandemic restrictions ease. We believe the company will benefit from reopening, as well as from expansion into less-penetrated regions in low-tier cities.

Notable Sells

SK Hynix. Earnings estimates were revised downward as rising inflation and supply network disruptions have delayed improvements to memory chip supply/demand dynamics. Memory chip prices are expected to fall amid the delayed demand in China and a server parts shortage.

Bajaj Finance. The lender faces increased competition in its consumer business, from both banks and financial technology companies. Higher inflation and lower discretionary income will also likely impact consumer businesses, in our view, posing a risk to Bajaj's high growth expectations.

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NOMURA ASSET MANAGEMENT

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