Boston Common Asset Management

SEPTEMBER 2025 UPDATE

Emerging Markets in Transition

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This is an exciting moment for emerging market (EM) investors. The recent change in EM investment performance relative to developed market (DM) indices (i.e., US Russell 1000, S&P 500, and EAFE), and EM's relatively attractive valuations and fundamentals present unique opportunities. After years of subpar investment returns and concerns related to economic fundamentals, 2025 marks a turning point in emerging markets where growing momentum is reinforcing our positive outlook for investors. In this update to the May 2025 report, Emerging Markets in Transition, we offer a glimpse into how we see the story unfolding into 2026.

Macroeconomic & Performance Trends

Once the growth leaders of the 2000s, emerging markets have since endured a decade of underperformance relative to developed market peers. Today, investors recognize the structural changes reshaping EM, including growth outpacing developed economies, energy transition, digitalization, and sustainable consumption. The resulting performance picture is illustrated in Figure 1.

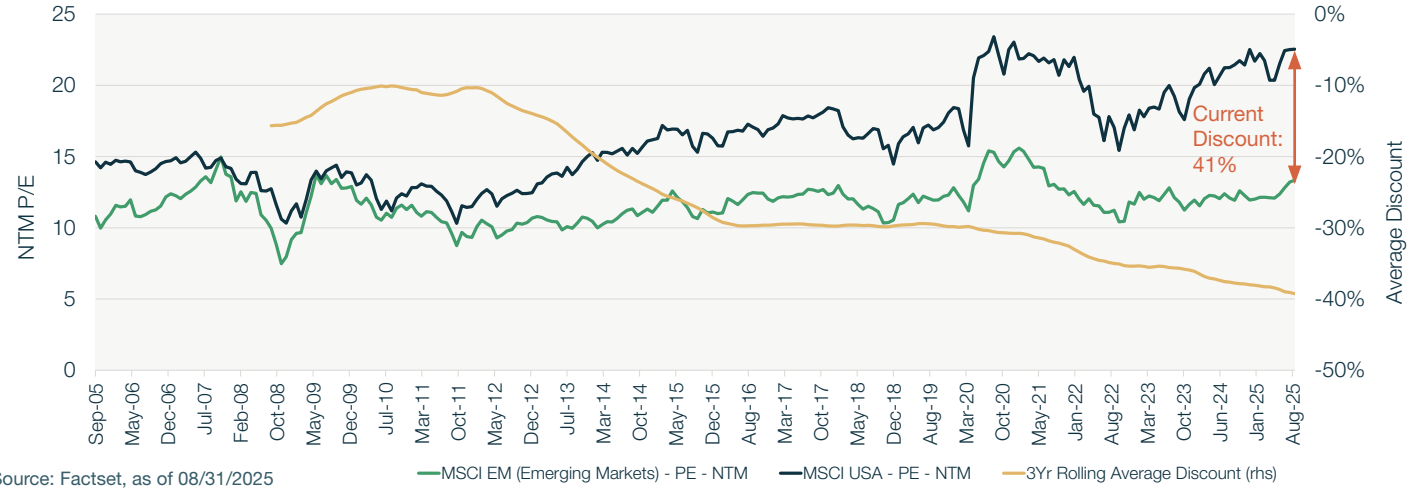
Figure 1. Annualized Returns of S&P 500, MSCI EAFE, and MSCI EM

Annualized Return	S&P 500	MSCI EAFE (USD, Net)	MSCI EM (USD, Net)
5 years ended Dec 2024*	14.53%	4.73%	1.70%
10 years ended Dec 2024*	13.10%	5.20%	3.64%
YTD Sep 19, 2025	14.39%	24.30%%	26.99%
3Y EPS Growth ('2027)	13%	10%	13%
FY1 P/E Ratio	22.9x	15.5x	14.x

*Annualized. Source: Factset.

In addition, EM equities have traded at significant discounts to U.S. peers. Today, EM equities trade at a steep 40% discount to the U.S.—a gap that has only widened over the past two decades (see Figure 2). Adding to the picture, EM central banks are inclining towards easing monetary policy, the dollar is depreciating, debt servicing costs are decreasing, and there remains relatively low EM exposure from global investors overall.

Figure 2. MSCI EM vs MSCI USA - NTM P/E, September 2005 - August 2025



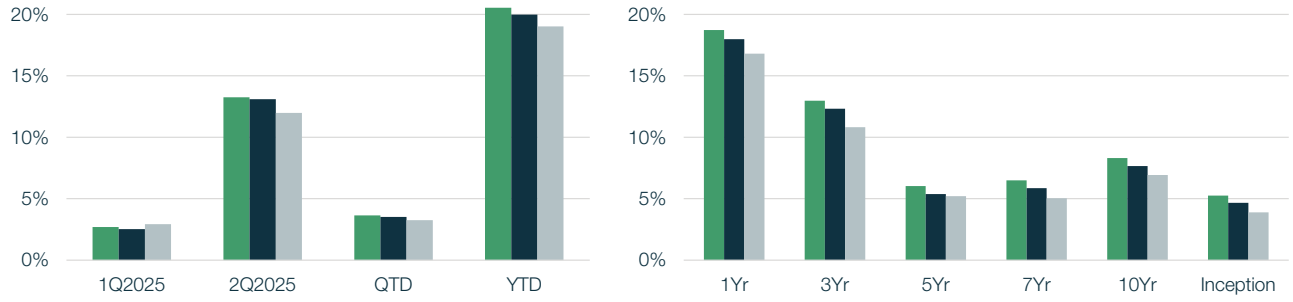
Source: Factset, as of 08/31/2025

Investment Returns and Strategy

EM Equity Strategy Performance

Over the course of 2025, Boston Common's Emerging Markets fundamental research team has identified ongoing market opportunities and developed an outperforming fundamental investment strategy (see Figure 3).

Figure 3. Boston Common Emerging Markets Strategy Composite Returns for Selected Periods (Annualized)



	1Q2025	2Q2025	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Inception
Total (Gross)	2.69%	13.26%	3.64%	20.54%	18.73%	12.98%	6.03%	6.50%	8.30%	5.25%
Total (Net)	2.52%	13.10%	3.51%	19.99%	17.98%	12.32%	5.38%	5.86%	7.65%	4.66%
MSCI Emerging Markets	2.93%	11.99%	3.26%	19.02%	16.80%	10.82%	5.21%	5.04%	6.92%	3.89%

As of 08/31/2025. Source: Advent Portfolio Exchange (APX). See full composite disclosure and benchmark description at the end of this document.

Going forward, we anticipate several factors will drive results:

Economic Dynamism.

Rapid economic growth and rising populations in EM countries are contributing to expanding consumer markets. Emerging markets are poised to play an increasingly central role in global growth, averaging 4.06% GDP growth through 2035, compared with 1.59% for advanced economies.[1]

Digitalization & Innovation.

EM is at the forefront of the digital revolution. Global technology leaders such as TSMC and SK Hynix anchor the semiconductor and memory supply chains powering AI, while domestic champions like Alibaba are driving innovation in AI applications, cloud services, and e-commerce ecosystems. Meanwhile, advances in electric vehicles, industrial automation, and digital platforms are transforming industries and driving productivity. This combination of global scale and local innovation makes technology a durable growth engine for EM and a compelling source of opportunity in our portfolio.

Accelerating Sustainable Capex.

According to the latest International Energy Agency (IEA) projections, global energy capital flows are set to reach a record $3.3 trillion in 2025, a 2% real increase over 2024. Approximately $2.2 trillion of this increase is expected to go into clean energy technologies—renewables, nuclear, grids, storage, low-carbon fuels, efficiency, and electrification—which is twice the anticipated investment in fossil fuels.[2]

[1] Look Forward - Emerging Markets: A Decisive Decade | S&P Global, October 2024
[2] World Energy Investment 2025 | IEA, 2025

Energy Transition Tailwinds.
Supported by stimulative policy and the increasing availability of lower-cost, sustainable energy across diverse value chains, EM is seeing improved efficiency, new market creation, and better living conditions. Notably, Chinese exports of clean energy products have shifted dramatically toward emerging economies. From 2022 to 2024, the share of China's clean-tech exports to EM countries jumped from 24% to 43%, as developing nations eagerly imported affordable Chinese solar modules, batteries, and electric vehicles. Adding to the momentum, the Chinese government recently announced at the U.N. General Assembly that China has established a specific reduction target of 7-10% for all greenhouse gas emissions by 2035 compared to peak levels, with non-fossil fuel energy sources to make up 30% of the country's energy mix.[3]

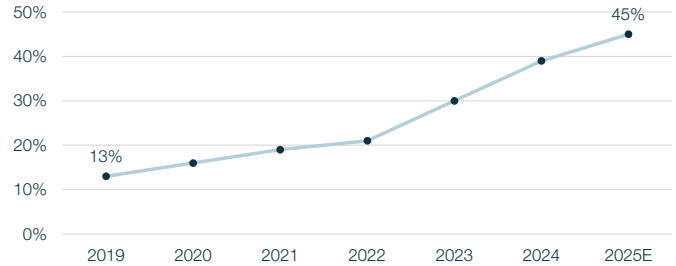
BCAM FUNDAMENTAL RESEARCH CASE STUDY:

Delta Electronics (Taiwan)

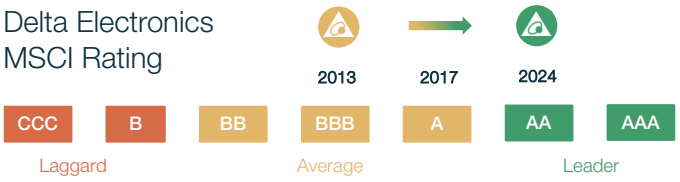
The factors noted above—economic dynamism, digitalization & innovation, sustainable capex, and energy transition—present specific investment opportunities in companies positioned to capitalize on declining clean tech costs and growing market demand. Consider Delta Electronics in Taiwan, which has strategically repositioned to capture the rapid growth in eco-efficiency markets.

Delta, one of the world's largest power management and electronics firms, began investing in new growth areas such as energy-efficient solutions, data center power systems, electric vehicle (EV) charging stations, and smart building management a decade ago. This strategic shift required heavy R&D and capital expenditure, which initially compressed margins and caused the stock to be de-rated, creating a mispricing opportunity from our perspective. Fast forward to today, and Delta's eco-efficiency businesses have achieved scale, its margins and ROE are recovering, and it is recognized for its sustainability leadership. Notably, Delta improved the environmental footprint of its operations, set science-based CO_2 reduction targets, and implemented eco-efficiency requirements for suppliers. As a result, its ESG ratings climbed from BBB in 2013 to AA by 2025, reflecting a much stronger risk profile.[4] Delta Electronics demonstrates how an EM-headquartered company can leverage sustainability trends to drive business performance and shareholder value.

Rising Eco-efficiency Solution Revenue*



Delta Electronics MSCI Rating



Valuation Highlights		
	Current	5 Yr. Avg
Market Capitalization ($Millions)	60,415	
Next 12 Months EV/EBITDA	16.1	11.1
Next 12 Months Price/Earnings	30.3	21.2
Dividend Yield	1.0%	1.9%

Financial Highlights		
	Current	5 Yr. Avg
Operating Margin	11.3%	10.7%
Return on Equity	16.8%	17.9%
Sales Growth N3Y	17.4%	
EPS Growth N3Y	34.4%	

Source: Factset

Emerging Markets Outlook

The ongoing renewable energy transition and economic evolution in emerging markets is among the most significant investment and sustainability narratives of our time. Boston Common believes that these investment opportunities will persist into 2026 and beyond. We are confident that our focus on high-quality emerging market companies will deliver financial performance while investing in the engines of a cleaner, more prosperous global economy.

[3] China, for First Time, Vows to Reduce Greenhouse Gas Emissions | New York Times, September 2025
[4] Active Shareowner Update - Q2 2025 | Boston Common Asset Management, July 2025
*Eco-efficiency solution revenue include EV component, data center power management, and EV charging solutions.

Disclosures

The information in this document should not be considered a recommendation to buy or sell any security. There is no assurance that any securities discussed in this report will remain in an account's portfolio at the time you receive this document. It should not be assumed that any securities transactions we discuss were or will prove to be profitable. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal.

Firm Definition. Boston Common Asset Management is a federally registered investment adviser. Its status as a registered investment adviser does not imply that it has been endorsed or approved by the Securities and Exchange Commission. Boston Common manages equity and balanced assets with an environmental, social, and governance focus for funds and institutional and high net worth clients. The firm maintains performance composites for all discretionary, fee-paying accounts under management, excluding certain non-discretionary strategies for which unaffiliated sub-advisers make and execute investment decisions. A list of composite descriptions and a list of limited distribution pooled fund descriptions are available upon request.

Calculation Methodology. Performance is calculated using the Modified Dietz method using daily valuations that treat every day as a sub-period to determine the monthly return numbers. Returns for longer periods represent the geometric sum of monthly returns. Returns are calculated net of explicit trading expenses and withholding taxes, with interest and dividends accrued. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Pooled Funds. The All Account Emerging Markets Equity Composite includes the Boston Common Catholic Emerging Markets Fund limited distribution pooled fund. Expenses for this pooled vehicle are paid for by Boston Common Asset Management. Management fees are negotiated and may vary but 1.20% is a maximum fee. The All Account Emerging Markets Equity Composite includes the Boston Common Sustainable Emerging Market Fund limited distribution pooled fund. Expenses for this pooled vehicle are paid for by Boston Common Asset Management. Management fees are negotiated and may vary but 1.20% is a maximum fee.

Series Description. The Boston Common All Account Emerging Markets Equity composite includes all discretionary, fee-paying accounts managed by Boston Common Asset Management in its Emerging Markets Equity strategy that bear explicit commission costs, regardless of size or tax status. The strategy is benchmarked to the MSCI Emerging Markets Index. Boston Common claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Boston Common has been independently verified for the periods from December 31, 2002 through December 31, 2022. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. If the three-year annualized ex post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Inception Date: 12/31/2012. Creation Date: 12/31/2012.

Performance Presentation. Returns are presented in U.S. dollars. "Gross" returns are presented prior to the deduction of management fees, but after transaction costs and withholding taxes, with dividends and interest reinvested. "Net" returns include the deduction of actual management fees charged to the accounts. Dispersion is the asset-weighted standard deviation of the returns of the constituent portfolios from their asset-weighted average. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal. The benchmark returns are not covered by the report of independent verifiers. If the three-year annualized ex post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.

Standard Fee Schedule. 1.20% on the first $2MM; 1.00% on the next $3MM; 0.90% on the next $10MM; 0.80% on the next $15MM; 0.70% on the balance.

Material Risk. General Market Risk. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. There is the risk that you could lose all or a portion of your investment. Equity Risk: Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value. These fluctuations may cause a security to be worth less than its cost when originally purchased or less than it was worth at an earlier time. Risk of Focusing Investment on Region or Country: Investing a significant portion of assets in one country or region makes the portfolio more dependent upon the political and economic circumstances of that particular country or region. Emerging Markets Risk: Emerging markets may involve greater risk and volatility than more developed markets. ESG Policy Risk: This ESG policy may result in foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. Impact Investing Risk: The portfolio may not succeed in generating a positive ESG and/or social impact. The strategy's incorporation of ESG and/or social impact criteria into its investment process may cause the portfolio to perform differently from a portfolio that uses a different methodology to identify and/or incorporate ESG and/or social impact criteria or relies solely or primarily on financial metrics.

Benchmark. MSCI Emerging Markets

Benchmark Description. The MSCI Emerging Markets (or "EM") Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global emerging markets. The EM Index covers many emerging market country indices. Designation as an emerging market is determined by a number of factors. MSCI evaluates factors such as gross national income per capita; market depth and liquidity; local government regulations; perceived investment risk; foreign ownership limits and capital controls; and the general perception by the investment community when determining an "emerging" classification of a market