



Acadian Asset Management LLC Emerging Markets Portfolio Second Quarter 2025

Performance

The Acadian Emerging Markets Portfolio returned 11.94% (net of fees) for the quarter, relative to a return of 11.99% for the MSCI Emerging Markets Equity Index.[†]

Commentary

In Q2 2025, global equity markets remained volatile but ultimately delivered strong gains, with global equities rising 9.5%. The quarter began with a sharp sell-off in early April following aggressive tariff announcements. However, a pivotal policy shift by the U.S. administration—pausing reciprocal tariffs and advancing trade negotiations—helped restore market stability. A major breakthrough came with an agreement between the U.S. and China to expedite the export of rare earth materials. In exchange, the U.S. lifted certain trade restrictions, while China pledged to review and approve items under its export control regime.

In parallel, the U.S. and U.K. finalized a trade agreement enhancing economic integration and addressing tariffs on autos and steel. Chinese equities initially struggled but reversed earlier losses as trade conditions improved. Japan posted stable, though moderate, returns compared to the rest of Asia ex-Japan, where emerging markets saw stronger inflows. Overall, emerging markets outpaced their developed counterparts, aided by a weaker U.S. dollar and improving sentiment surrounding U.S.-China relations. Meanwhile, gold prices—after reaching record highs in April—consolidated in June as geopolitical tensions eased and U.S. rate expectations shifted.

Against this backdrop, the Acadian Emerging Markets Portfolio underperformed its benchmark[†] by 5 basis points for the quarter ending June 30, 2025.

At the country level, stock selection contributed to return, while country allocations were negative. Key sources of positive active return included stock selection in China and South Korea, and a combination of stock selection and an overweight position in Poland. Detractors included stock selection in Taiwan, a combination of stock selection and underweight positions in both India and Mexico.

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

[†]Source of index returns: MSCI. Copyright 2025 MSCI



Outlook

The OECD now forecasts U.S. GDP growth to slow from 1.6% in 2025 to 1.5% in 2026, a notable downgrade from its earlier projection of 2.2% in March. Additionally, the OECD cautions that U.S. inflation could climb to nearly 4% by the end of 2025.

Euro area GDP is expected to grow by 1% in 2025 and 1.2% in 2026, supported by recovering foreign demand and rising real disposable incomes. The ECB notes that trade tensions and global uncertainty cloud the outlook. Interest rate cuts are projected to continue, with the deposit facility rate reaching 1.75% by Q3 2025. Meanwhile, the OECD has lowered the UK's 2025 growth forecast from 1.4% to 1.3%, citing concerns over tariff-related uncertainties.

The OECD expects Australia's economy to expand by 1.8% in 2025 and 2.2% in 2026. The OECD also projects that the Reserve Bank of Australia will continue lowering interest rates in the second half of 2025.

Japan's GDP is projected to grow 0.7% in 2025 and slow to 0.4% in 2026, driven mainly by domestic demand. External demand is likely to weaken due to higher U.S. tariffs. Inflation is expected to rise slightly in 2025 due to food prices, then ease toward the 2% target in 2026. With inflation above target and wages climbing, the OECD expects the Bank of Japan to proceed cautiously with interest rate hikes.

China's GDP growth is expected to slow to 4.7% in 2025 and 4.3% in 2026, reflecting ongoing structural and cyclical challenges. Export performance is likely to weaken due to new tariffs, primarily from the U.S., with the EU also raising duties on Chinese vehicle imports.

The OECD forecasts India's GDP to grow by 6.3% in FY26 and 6.4% in FY27, maintaining its position as the fastest growing G20 economy. The FY26 forecast was slightly revised down from 6.4%. Despite global uncertainties and trade policy challenges, India is expected to sustain robust growth over the next two years.

The OECD anticipates Brazil's economy will expand by 2.1% in 2025 and 1.6% in 2026, reflecting a deceleration due to softer domestic demand and a global economic slowdown. The OECD underscores the need for structural reforms to tackle issues such as fiscal sustainability and to support long-term economic growth.

The OECD has lowered its 2025 GDP growth forecast for South Korea to 1.0%, citing increased global uncertainty and economic challenges. Although growth is expected to slow in 2025, a recovery to 2.2% is projected for 2026. Private consumption is anticipated to strengthen from late 2025 as political uncertainty eases and real wages continue to grow. In response to weak demand, the Bank of Korea is expected to further reduce its policy rate to 2.0% in 2025.



Performance data quoted represents past performance. Past performance does not guarantee future results. Annualized performance as of June 30, 2025 is: 14.68% (1 Year); 15.38% (5 Years), and 6.06% (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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