

Quick Take: EM's Giant and the Opportunities It Overshadows

December 2025

TSMC: Making EM history

- Taiwan Semiconductor Manufacturing Company (TSMC) now has the largest weight held by any single company in MSCI's EM Index over the past 30 years, near 11.5% (top chart). Consequently, the benchmark has become more concentrated than ever, more so than even during the run-up of Chinese mega-caps after COVID.
- TSMC has become closely identified with the AI trade in EM. The company's spectacular ascendance—*gaining \$1.2B in value per trading day (on average) for three years*—has been propelled by optimism over GPU demand, the firm's role in advanced manufacturing, and its relationship with Nvidia.
- Yet the AI-related ecosystem in EM is far broader and deeper than many investors realize.

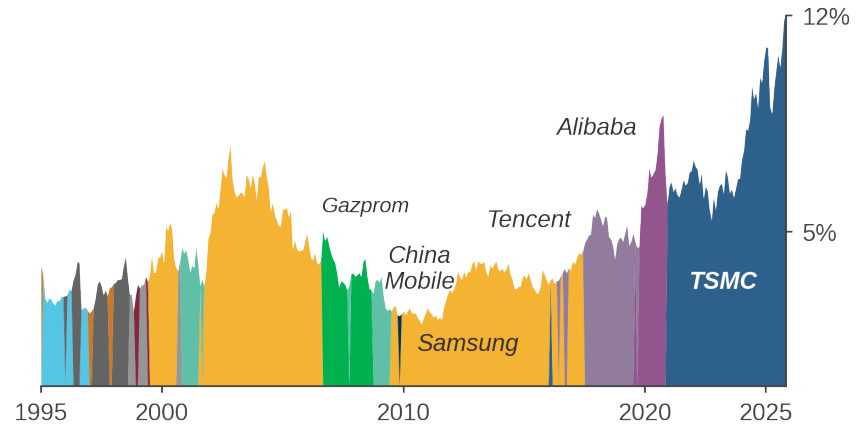
EM equities' role in the AI supply chain: Underappreciated breadth

- EM companies, in fact, form the backbone of global tech hardware and semiconductor production. Across these (and a few related) industries, there are nearly 1,100 publicly traded, investable EM stocks.
- As a result, the opportunity set for active stock picking in EM—even within the AI trade—is remarkably rich. The bottom chart helps to visualize it, showing the wide performance dispersion within Taiwan, South Korea, and the rest of EM, *including many stocks that have outperformed TSMC*.
- EM investors should take note. With so many "AI picks-and-shovels" stocks* to choose from, why take the benchmark's weight in TSMC as given? Instead, go active, allowing a manager to craft AI-related exposure by combing through what is a broad and deep investable universe.

* Tech hardware, semiconductor manufacturing, data-center-related industrials, and electrical utilities.

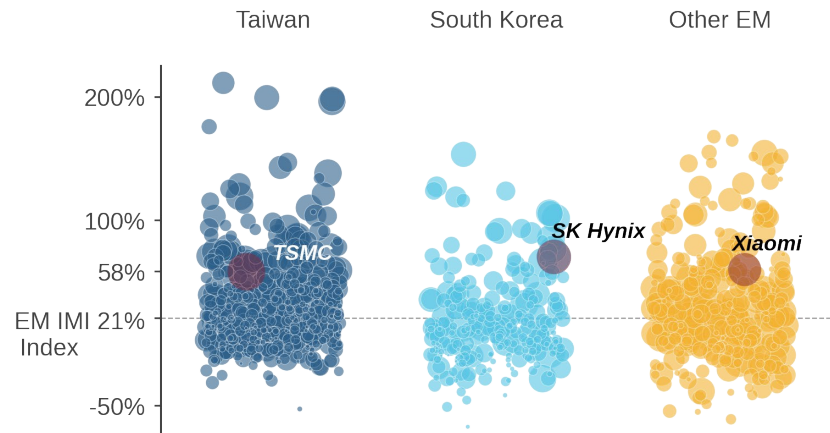
Weight of the Largest MSCI EM Index Constituent

Based on monthly index weights



An EM "AI Picks-and-Shovels" Opportunity Set*

Annualized 3Y total USD return; bubble size reflects log capitalization



Both charts as of November 30, 2025. Investable universe based on minimum cap and ADV constraints. Source: Acadian calculations based on data from MSCI, Copyright MSCI 2025, All Rights Reserved. Unpublished. PROPRIETARY TO MSCI. For illustrative purposes only. References to this and other companies should not be interpreted as recommendations to buy or sell specific securities. Acadian and/or the authors of this work may hold positions in one or more securities associated with these companies.



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