PM Spotlight: A World of Experience in Managing Portfolios

Alison Shimada, Senior Portfolio Manager, Total Emerging Markets

This issue of *PM Spotlight* profiles **Alison Shimada**, senior portfolio manager and head of the Total Emerging Markets Equity team. Named a top female portfolio manager again by Morningstar for 2025, Alison has a diverse international background that adds deep perspective to managing portfolios in the multi-faceted and growing asset class of emerging market equities.

Q: WHY DID YOU CHOOSE TO MANAGE EMERGING MARKET STRATEGIES?

A: I realized early in my career that I really enjoy the stock market—evaluating companies, talking to management, and thinking about macroeconomic issues—but I also wanted an international career. So, after returning to school for my MBA at Harvard Business School, I moved to Tokyo and worked as a senior analyst. That was in the early 1990s, which was a very interesting time for the markets. I covered a lot of sectors, from autos to pharmaceuticals to consumer staples. From there I went to Malaysia, where I worked as an equity analyst and portfolio manager. We helped design and run a Malaysian equity income portfolio right before the Asian financial crisis. It passed the test, providing a good balance of risk management and upside opportunity.

Constructing and managing portfolios in different markets and at different times of the economic cycle have given me a deeper perspective into market dynamics. I've worked through some very challenging but ultimately very enlightening markets, including Black Monday, the dot-com bubble, and the Asian financial crisis. That also includes time that I spent on the investor side, working as an investment officer in global health care for my alma mater, the University of California's Board of Regents. I really value all of these experiences, and I encourage my colleagues to take advantage of as many different experiences as they can.

Q: DOES THAT AFFECT HOW YOU MANAGE THE TOTAL EMERGING MARKETS EQUITY TEAM?

A: It definitely influences how I oversee the team. Elaine Tse, the co-manager, also has broad experience across different markets and throughout market cycles. That gives us greater insights to following a reasonable growth strategy regardless of the market environment and to plan for changes in market conditions. I think

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it's also pretty unusual to see co–fund managers who are female and minorities, but our entire team is very diverse culturally. Nearly all of us were born and raised in different countries, and that diversity of experience and perspective adds to our work environment and, I believe, to what we bring to managing portfolios.

Elaine and I share similar philosophies about managing the team, including that we believe the team is the most important component of managing the fund in the right direction. We've been very specific in looking for high-performing individuals who are from the region that they cover so that they understand the investing environment and the mindset of local investors. And we're very fortunate to have a team of people who are genuinely happy and motivated to do this work together.

We also place a priority on communication and coordination. That's a big part of what allows the team to function at a high level.

Q: ARE THERE ANY COMMON MISCONCEPTIONS ABOUT EMERGING MARKETS?

A: Probably the key misunderstanding I see today is that either nothing is happening in emerging markets or that they're more worrisome than developed markets. Coming off a long period of underperformance, many investors were very focused on the past, not realizing how much markets have regained. We like to say that the past 10 years are not the next 10 years. Markets are constantly evolving, and we must base decisions on forward-looking information.

Most of these countries have made huge strides in infrastructure, and firms realize that they need to improve their operations because of sustainable investing. Emerging market companies are also improving their transparency and reporting, including their targets and transition to net-zero emissions. They're going down the same road and moving toward the direction of developed markets.

Another common misconception is that the best way to invest in emerging markets is with concentrated portfolios of the fastest-growing companies. On the contrary, this volatile asset class tends to reward companies demonstrating operational discipline as opposed to simply revenue growth. For nearly three decades, the top-performing emerging market stocks have tended to be those with greater quality, profitability, and yield characteristics. Focusing on quality companies with robust shareholder yields can provide a resilient and diversified framework to invest in emerging markets for the long term.

Q: ARE YOU CONCERNED THAT AN ESCALATING TRADE WAR COULD WEAKEN EMERGING MARKET INVESTMENT PROSPECTS?

A: Tariffs aren't new. We're living in a world in which free trade has taken a backstep. There are many more barriers to trade than there used to be. But I think much of the narrative is already priced in. In fact, some valuations have become quite attractive and may surprise on the upside. Companies operating out of China, for example, have had some time to adapt their business models and operations. I think we have a good idea of what to avoid. We'll continue to focus carefully on portfolio exposure and lean on local service and product companies.

Overall, the team would argue that risks stemming from ongoing tariff conflicts may arguably be higher to the U.S. than the risks to emerging market countries, as emerging countries can shift focus to domestic markets and/or have already redirected trade in face of pressure from the U.S. Also, most countries are prepared to step up fiscal support, and many central banks have room to cut interest rates to defend growth.

Q: WHAT OPPORTUNITIES DO YOU SEE GOING FORWARD?

A: Emerging market investing has many encouraging secular themes unfolding right before our eyes. Technology innovation and an improving political environment have encouraged more optimism in the space than we've seen for many years. Artificial intelligence (AI) is a key investment theme and, emerging markets in particular are dominating the supply chain for AI development. For example, semiconductor foundry companies in Taiwan manufacture the microchips for AI, while materials companies in Latin America produce copper used in data centers and electric grids. From a demographic perspective, many emerging market countries can provide substantial labor capacity for various types of production related to AI. We believe AI will present opportunities for a long time and across many companies, and we'll continue to focus on shareholder return.

In terms of country opportunities, we believe China is well positioned for a recovery. We anticipate China will continue to implement targeted measures to support its property sector and the broader economy. Dividends, buybacks, and government support could provide downside protection, while regulatory reform and anti-corruption will likely lead to further re-ratings of state-owned and private enterprises. We're optimistic about opportunities in technology innovation, green development, and industrial upgrades, plus China's overall consumer recovery.

We've covered China for 25 years, and we know you have to be selective. There are many opportunities across sectors, and we'll continue to look at quality of earnings. It's all about stock selection. China is a very deep market. It's the largest emerging economy, but it's not the only one.

For further information

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