

# MARKET INSIGHT

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**Redmayne Bentley**  
A PROUD PAST,  
AN EXCITING FUTURE

ISSUE 45 - NOVEMBER 2025

## High Growth / Slow Growth



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2025 is a very special year for Redmayne Bentley as we will celebrate our 150th anniversary in December. As we look ahead to this significant milestone, we want to thank our clients, readers and listeners for your support.

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## THE EVOLUTION OF UK EQUITIES

ANDREW RHODES | REDMAYNE BENTLEY

In this month's edition of *Market Insight*, we are pleased to bring you a video from our Investment Research team, as part of our 150th anniversary celebrations.

Presented by Alastair Power, Investment Research Manager, the video looks at the UK equity market and, more specifically, the FTSE All-Share index. It offers insight and analysis of the index and how it has grown in the past 63 years.

Created in 1962, the FTSE All-Share index started at a base level of 100 points and the index today stands at more than 5,000 points. Driven by technological advances, privatisation campaigns, changing dynamics of retail and institutional investors, and more, the FTSE All-Share is today home to around 550 of the total companies traded on the London Stock Exchange.

Of course, things haven't always been so rosy for the index, with market crashes including Black Monday, the dot-com bubble, the Global Financial Crisis and, more recently, COVID-19 and geopolitical tensions impacting its growth.

With artificial intelligence (AI) being the current potential catalyst for great change in global markets, investors wait in anticipation of what it could mean for global firms, including those within the FTSE All-Share index.

Click the image below to watch the video, *The Evolution of UK Equities*.



5th December 2025 marks the beginning of Redmayne Bentley's 150th year, with John Redmayne, our founder, having set up his own stockbroking firm in 1875. This became the inspiration for the name of **Market Insight's sister publication, 1875**.

To read more about our 150th anniversary and history, please visit: [redmayne.co.uk/about/150th-anniversary](https://redmayne.co.uk/about/150th-anniversary)

## RISK WARNING

Please note that this communication is for information only and does not constitute a recommendation to buy or sell the investments mentioned. Investments and income arising from them can fall as well as rise in value. Past performance and forecasts are not reliable indicators of future results and performance. The information and views were correct at time of publishing but may have changed at point of reading.

# HIGH GROWTH / SLOW GROWTH

ALASTAIR POWER | INVESTMENT RESEARCH MANAGER

Despite ongoing economic and political uncertainty, global financial markets have maintained their upward trajectory since the tariff-related selloff in early 2025. Buoyed by the banking and defence sectors, the FTSE 100 index is moving ever closer to the 10,000-point level, having broken through 9,000 points for the first time in July 2025. New highs continue to be recorded in the US stock market on the back of the performance of the technology sector. Concentration within the top ten names in the S&P 500 index is increasing, accounting for over 40% of the index value and nearly 35% of the earnings produced. With both concentration and the valuation of the index elevated, there are concerns over a bubble within the asset class.

While attentions are focused on the US, large returns have been generated with investor exposure to the Japanese, Asia Pacific, and emerging market regions, with all three indices generating local currency year-to-date returns in the region of 30%. Drivers of returns include corporate reforms in Japan and South Korea, alongside improvements in investors' sentiment to China and related performance of technology companies in the region.

The positive performance of risk-focused assets is at odds with the outlook for the global economy, which generally entails slower rates of economic growth across both developed and developing nations. In the UK, subdued rates of growth continue, although the recently released September monthly GDP estimate from the Office for National Statistics (ONS) indicated a minimal 0.1% decline. In the run-up to a budget of significant importance, the figure made for bad headlines. However, motor vehicle manufacturing was the primary driver of the decline which itself was specifically affected by production issues at Jaguar Land Rover, without which growth would have been positive.

Slightly more positivity was present following the outcome of the recent Bank of England Monetary Policy Committee meeting in early November. The policy rate was maintained at 4.00% but the 5-4 voting split was narrower than expected, with the minutes indicating expectations that inflation has peaked. The probability of an interest rate reduction at the December meeting has increased as a result.

Within politically-focused news, volatility within the UK, the US, and France continues but headlines of interest were also found in Latin America, which is the focus of this edition, particularly Argentina. Libertarian free market leader Javier Milei looked to be on rocky ground in the run up to mid-term elections, but a sizeable win enables continuation of spending cuts and free market reforms. Political volatility and associated fiscal issues have always been associated with the Latin America region, leading to some nervousness from investors, but there are numerous high-quality listed companies to which global and emerging markets fund investors may unknowingly have exposure, such as Mercado Libre, Walmart de Mexico, and the US-listed Peruvian bank Credicorp, which is up 37.6% year-to-date. Our Stock Focus article highlights some Latin American companies found inside popular global funds. ■

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# STOCK FOCUS



## LATIN AMERICA

RUTH HARRIS | INVESTMENT RESEARCH ANALYST



Latin American companies are typically less well known to UK investors, given the limited news flow relative to large multinational companies, especially those based in the US or Europe. It could be challenging to invest in direct equities in the region, with less sell side research analyst coverage plus economic and political idiosyncrasies across countries. For many, outsourcing this to external fund managers is the most efficient way of accessing the market. Within the investment trust space, there is only one dedicated strategy for the

region, BlackRock Latin American Investment Trust. It may have less appeal to investors given the relatively high ongoing charges figure of 1.23%, lacklustre sterling performance over the last five years compared to the benchmark, and its small size at just £116.0m, which could cause liquidity concerns. However, it is possible to access Latin American equity exposure through other investment trusts, outside of dedicated regional strategies.



Scottish Mortgage is one such investment trust. The trust looks to invest in exceptional growth companies, with large investments in new technologies. While perhaps best known for its private market exposure, with significant allocation to SpaceX, the space transportation firm founded by Elon Musk, Scottish Mortgage also has an 8.3% allocation to Latin America. The largest public equity holding in the trust is Mercado Libre, an e-commerce company which fulfils a similar role to Amazon, but in Latin America. It is the sole player in Argentina's e-commerce market and has the number one market share position in each of the main markets in Latin America. In 2024, it generated a revenue of US\$21bn and is rapidly growing its reach. Mercado Libre also has a growing fintech business, providing payments, credit, insurance, investments, and crypto. While shares are optically expensive at a 49.1x forward price-to-earnings (P/E) ratio for December 2025, it offers the sort of growth and market disruption typical of a Scottish Mortgage holding.

*“Latin America has seen renewed interest from investors this year, amid concerns about expensive developed market equity valuations, and increasing discussion of AI fatigue.”*

While Scottish Mortgage offers a growth portfolio with private market access, Murray International Trust is a global investment company which provides a more income-focused strategy. With a yield of 3.77%, the trust provides a level of income to investors, as well as providing diversification within a global equity allocation given a notable underweight to US and technology stocks relative to peers. Like Scottish Mortgage, the trust also offers a degree of Latin America exposure, though through very different companies. The third largest position in the trust is Grupo Aeroportuario del Sureste (ASUR), a Mexican airport operator which runs nine airports across the southeastern states of Mexico and has expanded internationally into Colombia and Puerto Rico. The holding provides a yield of 9.12%, which provides income for the trust

to allow it to meet dividend payments to shareholders. As well as potential tailwinds from the expansion strategy and growing tourism in Mexico, the holding provides diversification within the trust, with the company's fortunes less linked to the trends which are fuelling developed equity markets. Outside of ASUR, Murray International also has holdings in Telefonica Brasil, a Brazilian telecommunications group, and Vale S.A., the world's largest producer of iron ore and nickel, as well as a small allocation to Latin American debt within a fixed income allocation.

While it is possible to access the Latin American market within global equity investment trusts, investors looking for a more targeted exposure away from developed markets may instead choose to look at the emerging market sector. Templeton Emerging Markets Investment Trust is the largest trust in the space, with a market cap of £2.3bn. Returns over the last year have been exceptionally strong, up 47.9% on a share price basis to mid November 2025, ahead of the sector average of 36.5%. It has a 12% allocation to Latin America, across Brazil, Mexico, Chile, and Peru. Grupo Financiero Banorte is a top ten holding, the second largest financial institution in Mexico in terms loan portfolio. Banorte is growing through a mix of acquisitions and organic growth, looking to improve product quality, customer service, and digital transformation. It now serves over 20m customers across its bank, pension fund, insurance, and annuity business. The company is benefitting from growing financial penetration in the region, and the share price has increased by 41% year-to-date, while continuing to offer an attractive dividend yield of 5.7%.

Latin America has seen renewed interest from investors this year, amid concerns about expensive developed market equity valuations, and increasing discussion of AI fatigue. The region offers diversified opportunities across sectors and countries with idiosyncratic political situations and economic growth drivers. While some may be reticent to include a large weighting to Latin American equities within their investment portfolios, it is possible to access the region through either a global or emerging market investment trust, allowing an external manager to allocate in and out of the region depending on where they see opportunities, with awareness of potential issues around governance, lack of research coverage, and currency headwinds. Despite strong performance year-to-date, it could remain an attractive region for investors on a long-term view within the context of a wider investment portfolio. ■

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# INSIGHT



## EMERGING MARKETS

THOMAS HYDE | INVESTMENT RESEARCH ANALYST



On Captain Cook's first voyage across the Pacific, his official aim was to observe the transit of Venus. Yet, when he left Plymouth in 1768, he carried a secret note from King George III ordering him to verify the existence of Terra Australis Incognita, a 'great unknown land'. The continent was thought to be a source of abundant resources and, if contact were made by the Crown, it would have helped secure Britain's trade dominance. Today, emerging markets often play a similar role for investors. The allure of rapid growth and undiscovered

opportunities is strong, but, as with the explorers of the 18th century, the narrative is usually far simpler than the reality.

Emerging markets is a broad, if not slightly misleading, label. We often think of them as a group of economies gradually transitioning from low-income to high-income status, a product of industrialisation and improved productivity driving higher than average growth. Traditional economic theory suggests growth rates should slowly converge to match

developed neighbours. Reality diverges from this. Morgan Stanley estimates that emerging markets account for about 26% of global market capitalisation and the emerging markets group contains an eclectic array of economic and political models. China and Taiwan, leaders in tech-driven growth, sit alongside commodity-dependent countries, like South Africa, which are less economically stable. Political and legal systems vary in quality, which can affect the strength of institutions that promote development. With this stark contrast, it is no wonder productivity trajectories can noticeably differ. Many emerging economies have made the transition to middle-income status but struggle to go further. This is known as the middle-income trap.

Emerging market index construction adds another layer of difficulty. MSCI and FTSE Russell, two large index providers, use different methodologies to classify countries within the sector. A notable example is South Korea. FTSE Russell reclassified the country as a developed market in 2009, removing it from the firm's emerging market index and placing it within the FTSE Developed series. MSCI still categorises the east Asian nation as emerging and, as a result, South Korea accounts for roughly 13% of the MSCI Emerging Markets Index. The inclusion of one country distorts comparisons significantly. MSCI Emerging Markets includes larger weights in technology and hardware, whereas FTSE Emerging leans more towards China, as well as Latin America's commodity-heavy exposure. On the surface, long-term returns of both indices have been broadly similar. However, the countries driving those returns have diverged significantly. Two investors who think they are holding the same portfolio can be exposed to fundamentally different risks.

Despite the categorisation issues, many companies on the ground have directly benefitted from economic and demographic growth trends in emerging markets to generate durable growth. These businesses tend to sit in the boring sectors of developing countries, meeting the everyday needs of an expanding urban and middle class, but which have grown at impressive rates. Walmart de Mexico (also known as Walmex), for instance, illustrates how certain firms have grown alongside Mexico's broad economic trends. The major retailer is an offshoot of its American parent of the same name and has grown to over 4,000 stores across Mexico and Central America. By operating a range of locations, from large Supercenters to Bodega Aurrera discounters, the firm has captured 32.5% market share with around MXN\$800bn in sales in 2024. These economies of scale allow the firm to compete with Mexico's large informal retail sector by offering lower prices and more choice. However, operations are not without risk. Mexico's productivity growth has been sluggish over recent years as the country struggles to catch up with high-income economies, which can weigh on sales growth. A Jefferies analyst also notes an accelerated expansion of hard discounters, introducing further pressure on pricing and competition for market share. Overall, Walmex highlights how companies can expand by aligning with emerging market growth trends.

Banks are the backbone of any emerging economy. At their simplest, they function as a transmission mechanism for growth by turning household savings into business investment.

This process, known as capital formation, creates capacity to produce goods and services, of which their consumption is vital if an economy is to grow. In Peru, Credicorp is the largest player in the banking sector. With a market cap of just over US\$20bn, the country's largest bank operates across Latin America and provides services broadly comparable to one of Britain's big five banks. A sizeable proportion of Latin America's population lacks access to financial services such as bank accounts and loans. By offering services to these under-banked individuals with initiatives such as microfinance, small loans to fund basic business needs, the company promotes financial inclusion and brings more homes into the formal economy, but this is not without risks. By their nature, micro-borrowers are riskier and during times of economic stress are more likely to default on their obligations. Additionally, despite geographical diversification, the bank is still heavily concentrated in Peru. Domestic political and economic shocks can have severe impacts on the company's balance sheet.

That is not to say there isn't innovation in emerging markets. Mercado Libre is at the forefront of Latin America's digital transformation, offering e-commerce services, payments infrastructure and credit, in a model that resembles a streamlined version of China's tech giants such as Alibaba and Temu. The company's scale is already substantial. For example, 3.3bn total payment transactions were managed in Q1 2025 and this number is only expected to rise as the region's digital economy grows. As more of Latin America's economy formalises and shifts from cash to digital payments, both e-commerce and digital payments can expand, providing a compelling runway for expansion. The market looks to have recognised this and has assigned it a hefty valuation multiple. At the time of writing, the stock trades on a 12-month forward price-to-earnings ratio of nearly 49x signalling that investors expect a continuation of rapid earnings growth. This leaves investors with little room for disappointment if the company falls short of these lofty expectations.

Terra Australis never existed. The continent, imagined as a counterweight to the known world, ultimately turned out to be a myth. Humans' persistent fascination with the idea reflects our tendency to imagine in excess. Emerging markets invite a similar feeling. The stories of untapped potential are compelling, but the reality can be, as we often find, much less exciting. For portfolios dominated by global tech, these businesses may offer a useful counterweight, but only if investors understand what they own and accurately assess the risk-reward potential. Many underestimate how much technology they have in their portfolios; any shift to emerging markets should be done in a well-diversified manner. ■

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