



Tuesday, December 2, 2025 - 1:00 P.M.
Public Markets Committee

Virtual Meeting

The link to view the meeting virtually can be found at www.sib.wa.gov/meetings.html

OR

Members of the public may view the virtual meeting in person at the Washington State Investment Board
Olympia Office located at
2100 Evergreen Park Drive SW, Olympia, WA 98502

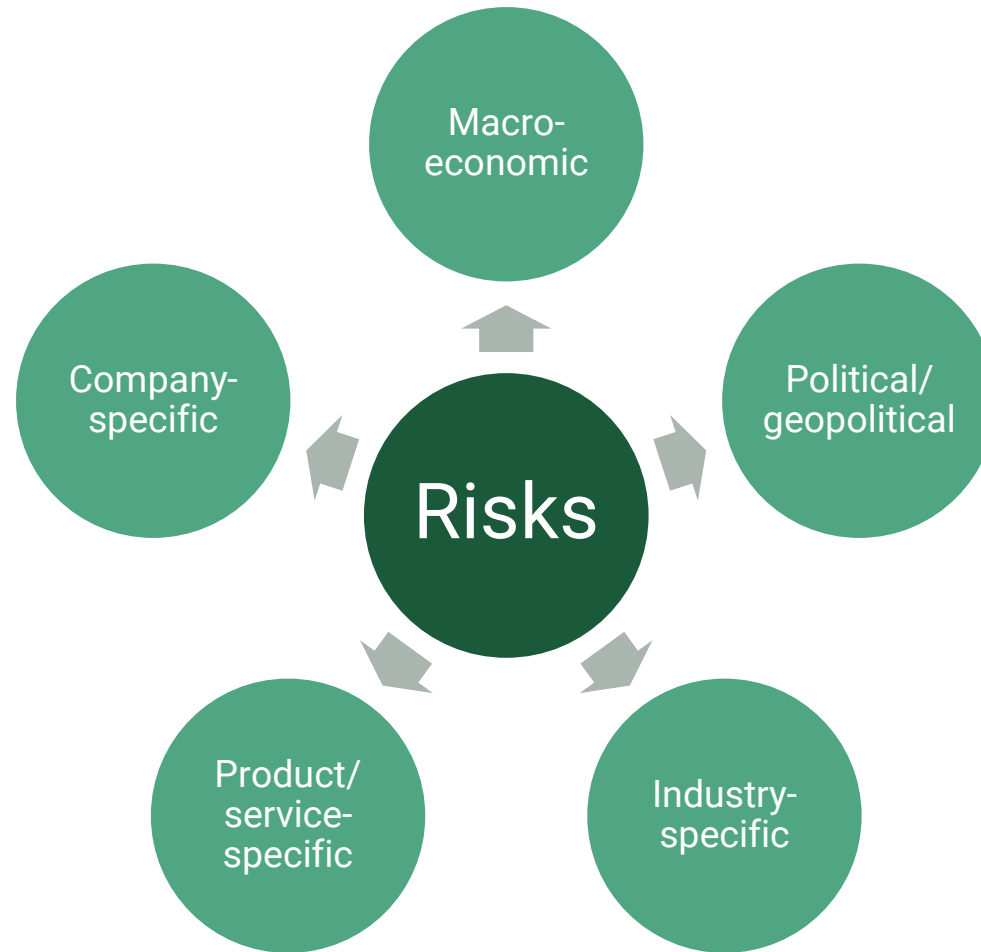
- 1. Call to Order/Roll Call (1:00p)**
- 2. Adoption of Minutes (1:00 - 1:05)**
- 3. Policy Revision (1:05 - 1:20)**
 - A. Long-Term Services and Support Trust Account Policy
2.35.600
- 4. Public Markets Education Session (1:20 - 2:20)**
 - A. Emerging Markets Volatility: Risk or Opportunity?
- 5. Other Items (2:20 - 2:25)**
- 6. Adjourn (2:25p)**

Emerging Markets Volatility: Risk or Opportunity?

Presenter: Gerardo Zamorano, CFA – Director, Investments Group

Introduction: Rhonda Berger - Director, Institutional Portfolio Management

Key Sources of Volatility in EM Equity Returns



Volatility Is Part and Parcel of EM Investing...

Notable Past Crisis Periods in EM

CRISIS IN MEXICO: THE OVERVIEW; WITH PESO FREED, MEXICAN CURRENCY DROPS 20% MORE

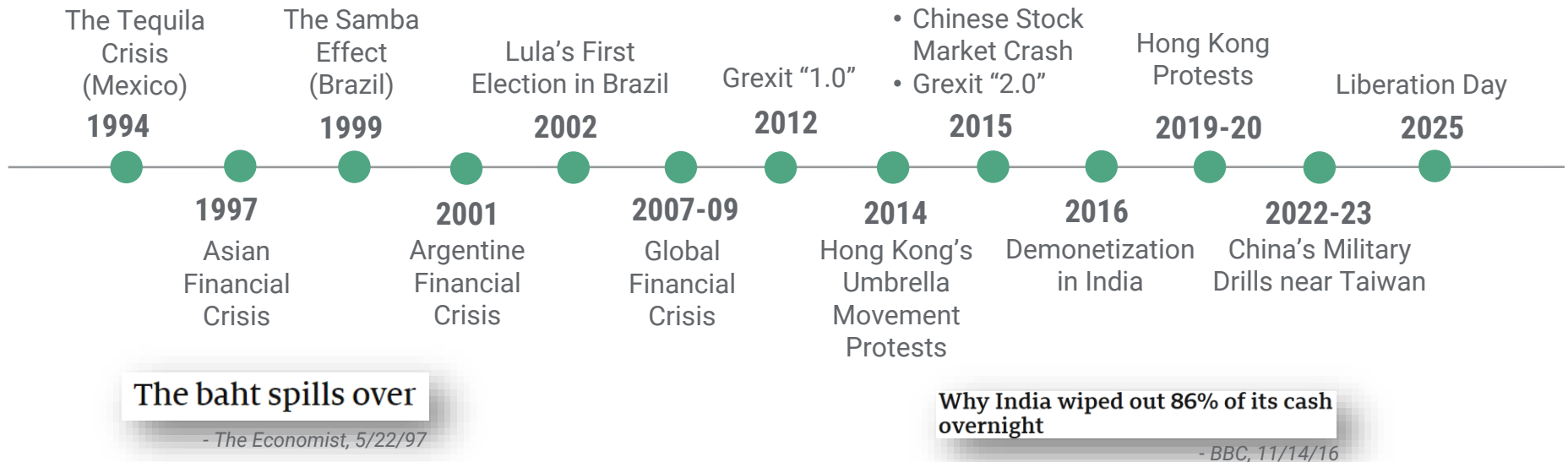
- The New York Times, 12/23/94

China Has Biggest One-Day Stock Crash Since 2007

- Bloomberg, 7/26/15

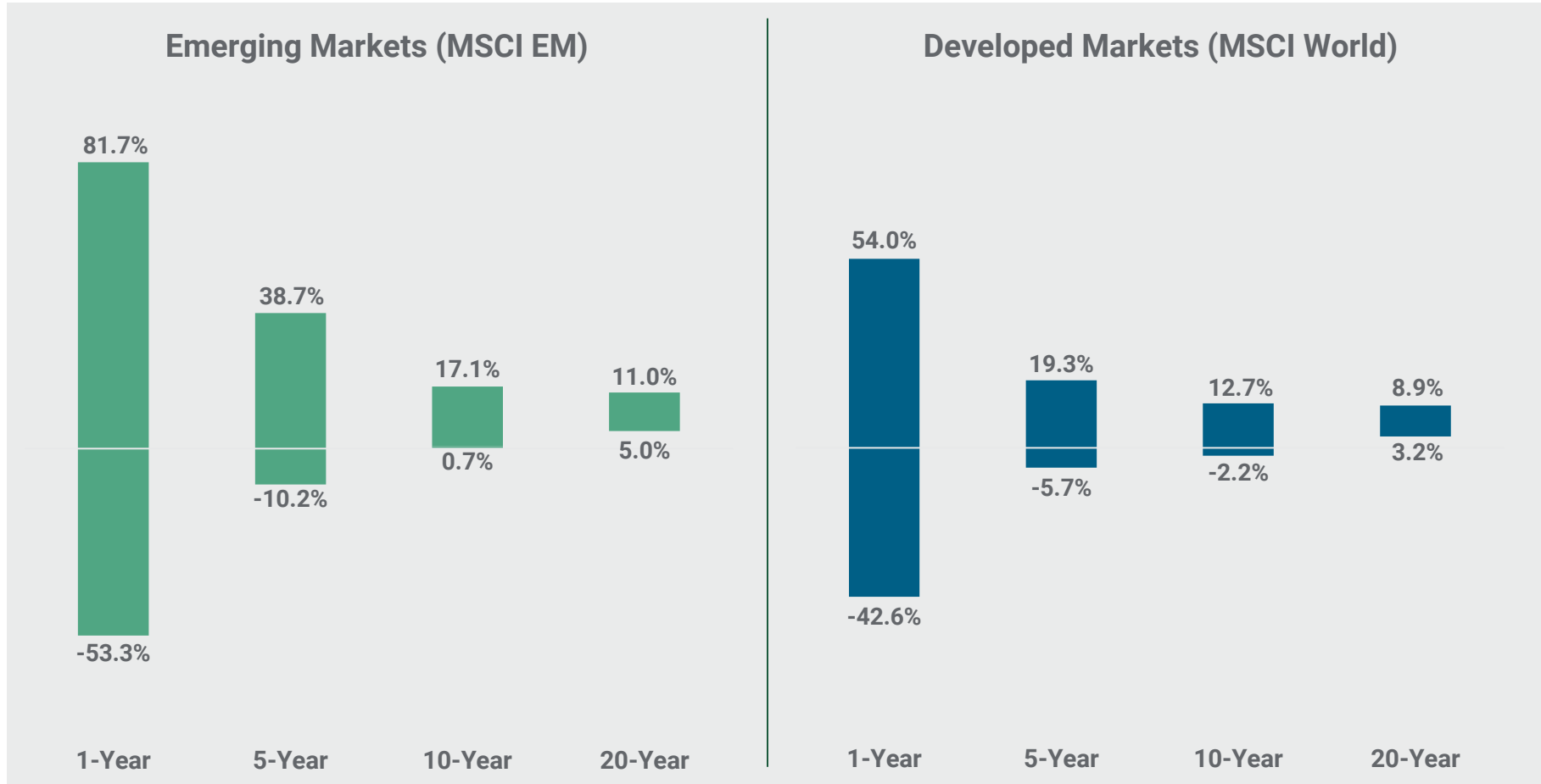
Trump tariffs slam markets, stunned investors brace for slow growth, retaliation

- Reuters, 4/3/25



...but Volatility Lessens as Time Horizon Lengthens

Range of Returns for Various Rolling Periods (Observed Quarterly)



SEPTEMBER 30, 1995 TO SEPTEMBER 30, 2025 | Source: Brandes, FactSet. All values for periods of one year or greater represent rolling periods measured quarterly. Rolling periods represent a series of overlapping, smaller time periods within a single, longer-term time period. For example, over a 20-year period, there is one 20-year rolling period, eleven 10-year rolling periods, sixteen 5-year rolling periods, and so forth. Past performance is not a guarantee of future results. It is not possible to invest directly in an index. Index performance may include back-tested data from the index provider (i.e., calculations of how the index might have performed prior to its inception date had the index existed). There may be frequent material differences between back-tested performance and actual results.

Risks and Opportunities Co-Exist in EM



GDP: Gross Domestic Product

Finding Opportunities Amid Volatility

Benefit of a Long-Term Focus: Examples of Opportunities (Past and Present)

EVENTS

OPPORTUNITIES

Grexit (2015)



- Opportunities in domestic-oriented businesses (i.e., a telecom services provider and a supermarket chain)

Hong Kong Protests (2019-20)



- Added to positions in Hong Kong-based retailers with significant exposure to the Chinese market

Price Correction of Chinese Stocks
(e.g., 2021 regulatory crackdown, broad-based price corrections in 2022-23)



- Opportunity to selectively add to our China exposure
- Value potential mostly in businesses focused on domestic consumption

Taiwan-China Conflict (2022-23)



- Added to positions in Taiwan-based tech companies
- Geopolitical concerns overlapped with sector downturn

Mexico-U.S. Trade Concerns (2024-25)



- Increased exposure to Mexico-based holdings
- Shared characteristics: solid competitive position, experience navigating market turbulences, attractive valuations

Liberation Day (2025)



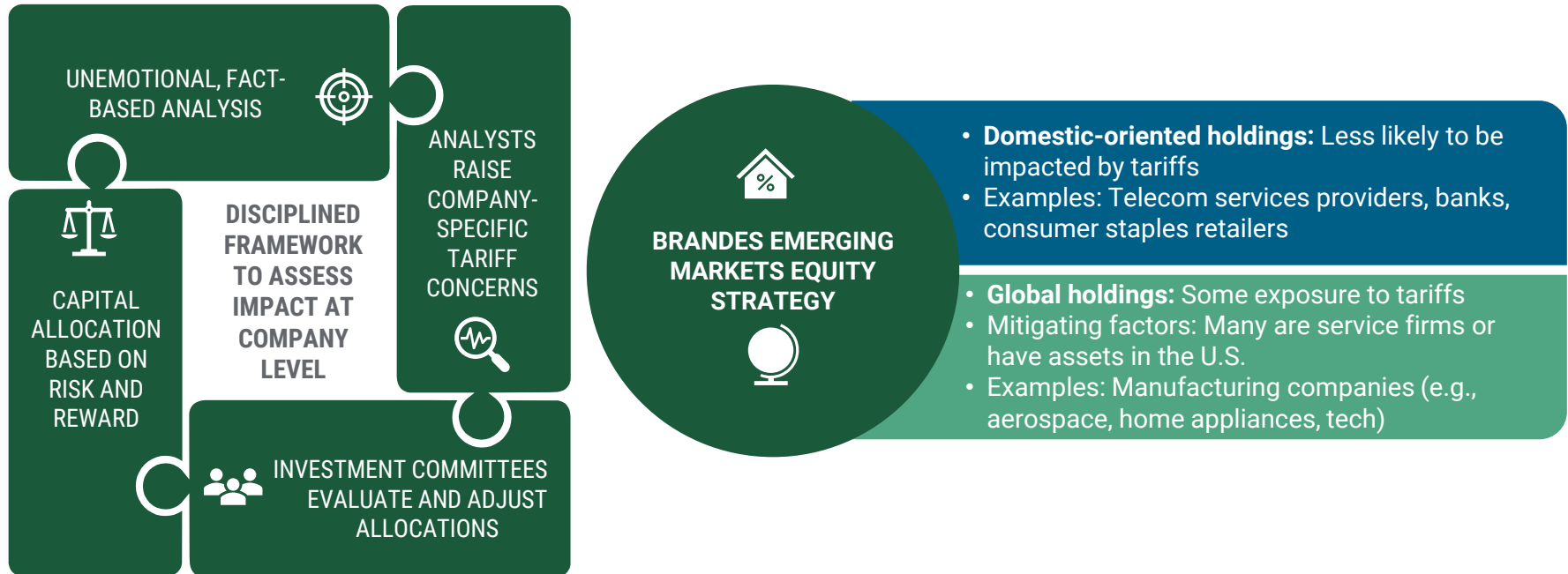
- Not all countries, sectors, or companies are affected equally
- Mexico: Tariff amplified political and macroeconomic concerns (added to Mexican REITs)
- Korea and Taiwan: not likely affected by tariffs, but indirect pressure (added to tech supply chain exposure)

Source: Brandes. The portfolio characteristics shown relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis. Holdings are subject to change.

Current Risks and Opportunities in Emerging Markets

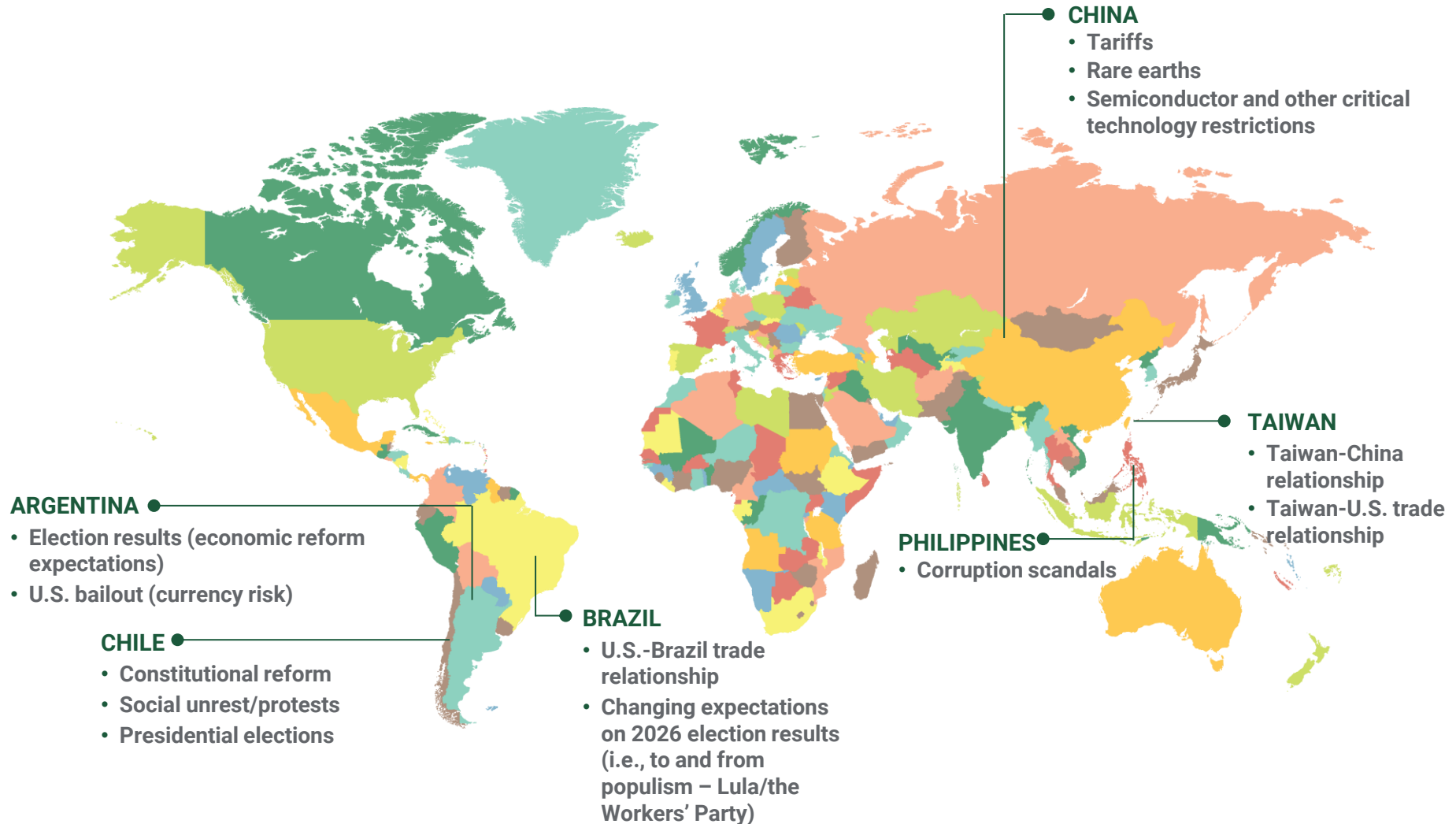
Brandes' Approach to Tariff Concerns

Well-Positioned to Navigate Tariff Challenges



AS OF SEPTEMBER 30, 2025 | Source: Brandes. The portfolio characteristics shown relate to a single account deemed by Brandes to be generally representative of the strategy as of date noted. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Data is updated on a quarterly basis. Holdings are subject to change.

Other Geopolitical/Political Uncertainties



Improvements in EM Over the Last Decades

- More domestic savings → more financing in local currency → less reliance on USD
- More mature local debt markets → longer debt maturities and lower roll-over risks
- Overall, more floating FX regimes vs. fixed FX or currency boards
- Examples:
 - China borrowing at lower rates than Japan
 - India borrowing at lower rates than the U.S.
- Relative risks EM vs. DM:
 - Overall sovereign debt levels
 - Reliance on tariffs
 - Concentration of political power
 - Erratic policy making

Applying a Bottom-Up Approach to Evaluating EM Opportunities

Analysis — Understanding a Business

Companies Operate in Context

Industry Factors

- Threat of New Entrants
- Threat of New Substitutes
- Buyer Power
- Supplier Power
- Rivalry

Macro Factors

- Business Cycle
- Currencies
- Demographics



Country Factors

- Regulation
- Politics
- Fiscal Stability

Other Factors

- Environmental
- Social
- Governance

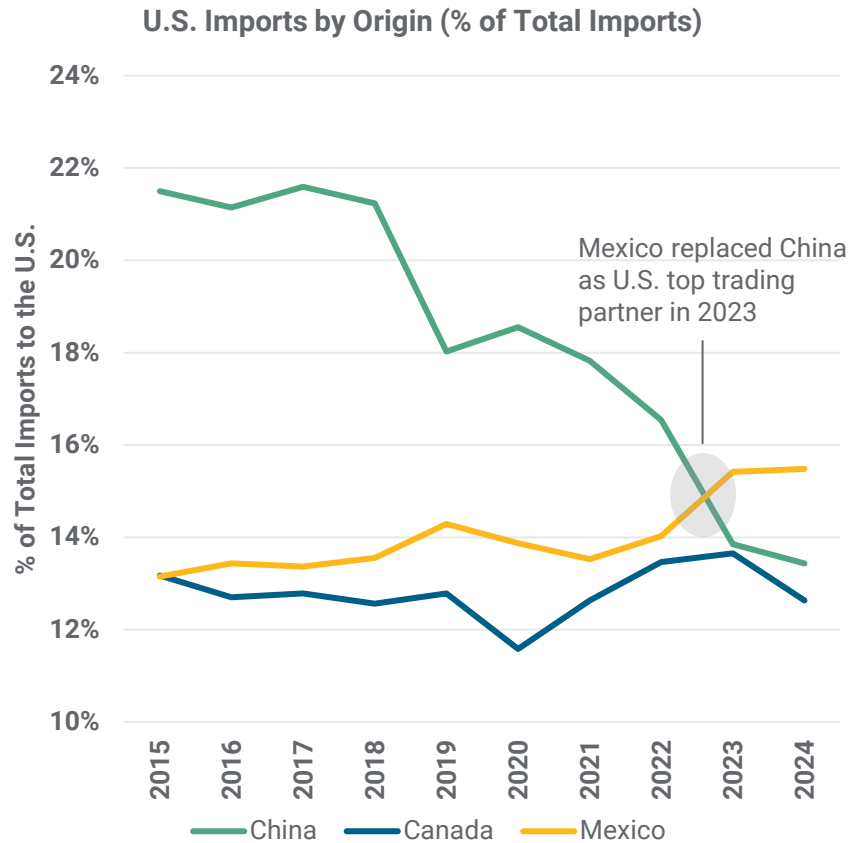
Fundamental, Company-Focused

Deep Dive: Mexican Real Estate Investment Trusts (REITs)

Value Opportunity in Mexican REITs

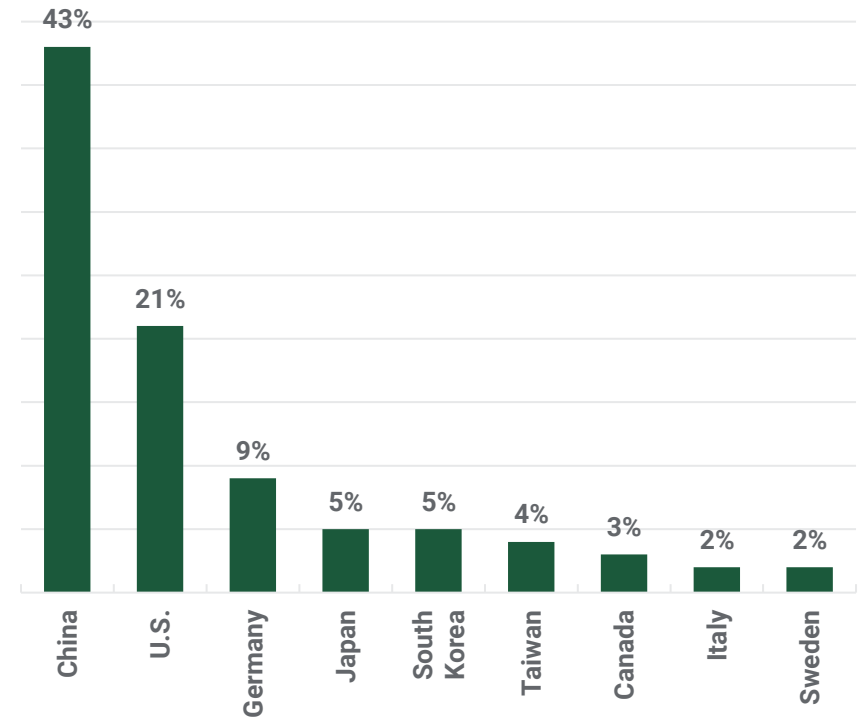
- **Background:**
 - Geopolitical backdrop (e.g., tariffs, immigration friction, drug friction) overlaps with country-specific concerns
 - Trump's election has led to concerns about trade relationship between the U.S. and Mexico
 - In Mexico, one-party control has led to concerns around amendments to judiciary system and lack of check and balances
 - Pressure in Mexican equities has increased after Liberation Day
- **Factors supporting our investment case:**
 - Potential growth in Mexico's manufacturing base
 - Supply chain integration with the U.S. manufacturing base
 - Potentially continued benefit of nearshoring
 - Cost competitive on labor, real estate, transportation costs, and overall manufacturing costs

Mexico: A Nearshoring Beneficiary



Source: International Monetary Fund (IMF).

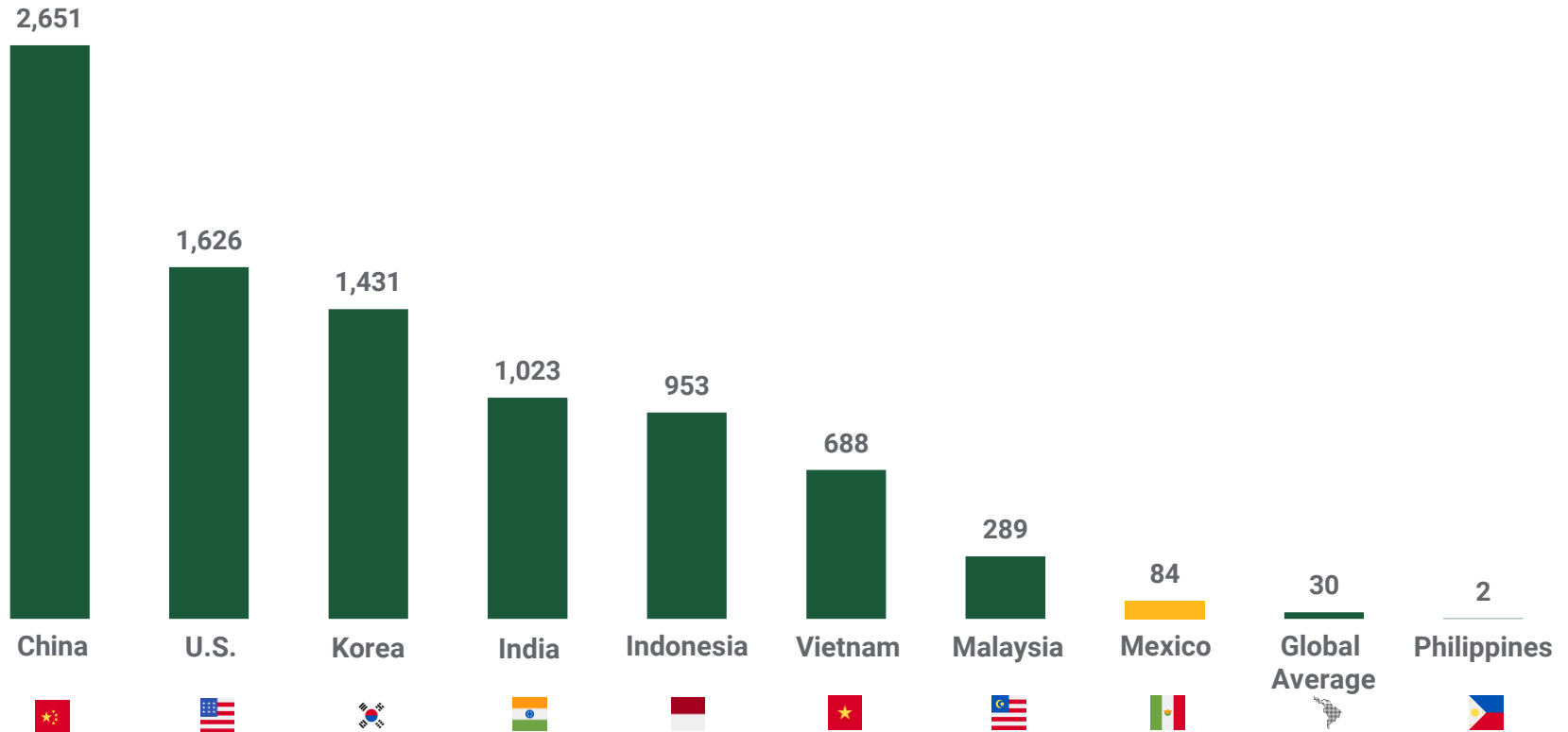
Cumulative Nearshoring Gross Absorption by Country of Origin (2019 through 1Q23)



Source: Goldman Sachs Equity Research "Mexico Real Estate: Industrial; Reflection on Nearshoring, Positioning and Valuation" dated 6/6/23. Use of chart is based on a prior written consent. It may not be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of The Goldman Sachs Group, Inc.

Global Industrial Gross Leasable Area (GLA)

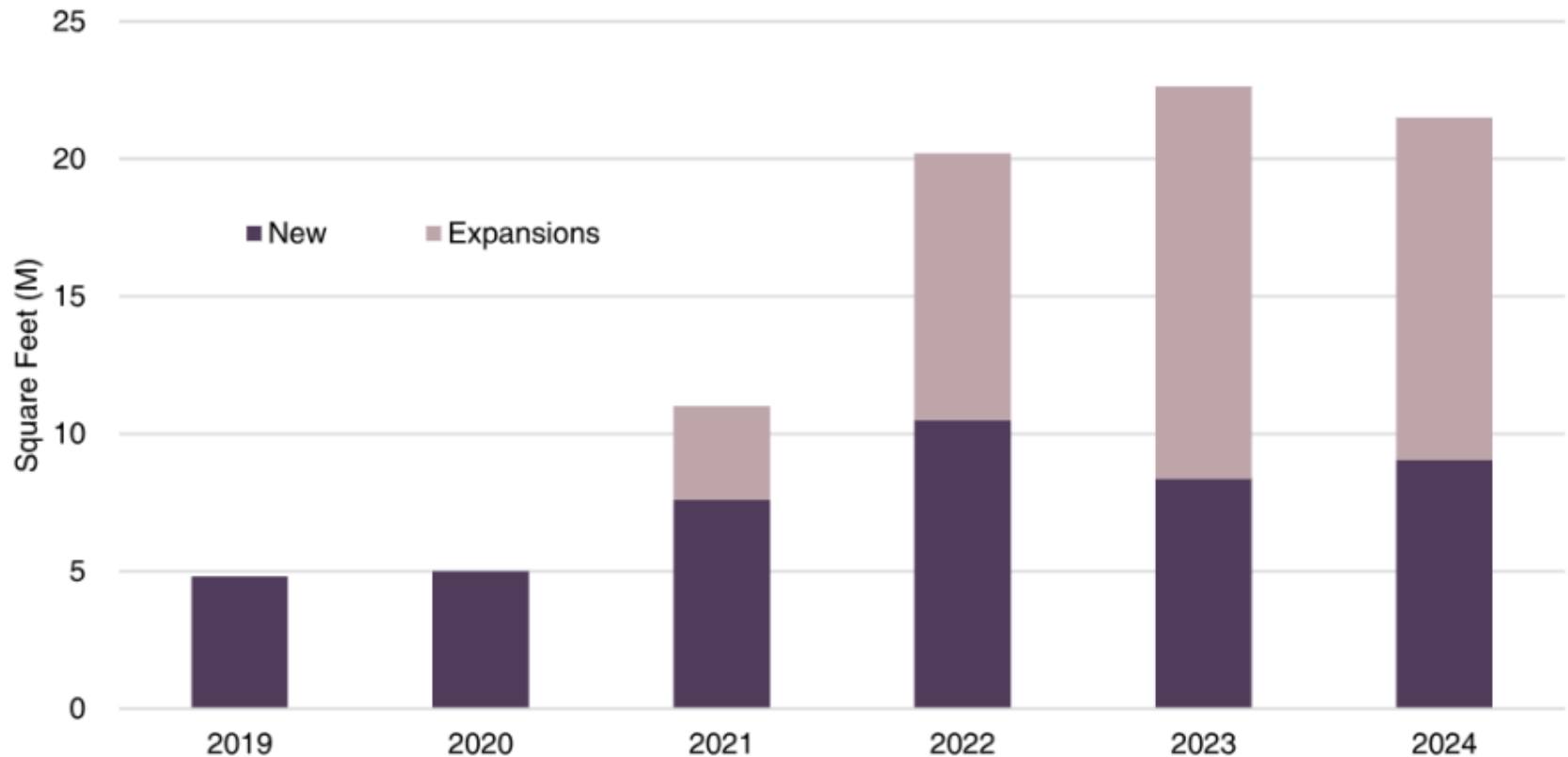
GLA in Million Square Meter (2021)



Source: BTG Pactual Investor Education Presentation "Nearshoring Case" from October 2025. Use of chart is based on a prior written consent. It may not be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of BTG Pactual.

Nearshoring: Expansions Driving Demand

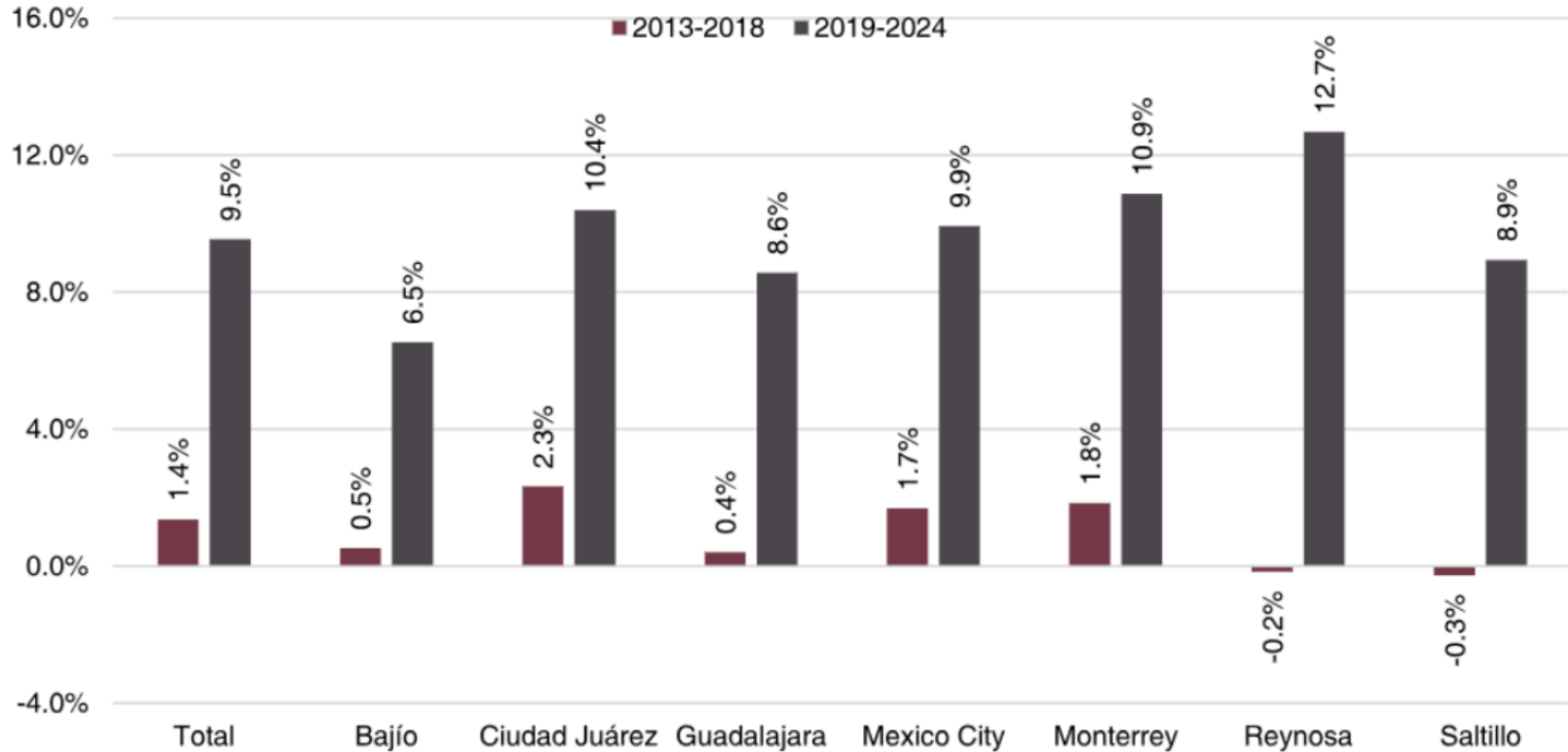
Demand for Industrial Real Estate in Mexico Driven by Nearshoring



Source: Scotiabank Research "An In-Depth Look at Mexico" published August 2025. Use of chart is based on a prior written consent. It may not be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of Scotiabank.

Rent Growth Accelerated with Nearshoring

Mexico's Industrial GLA – Weighted Average CAGRs in Asking Rents*



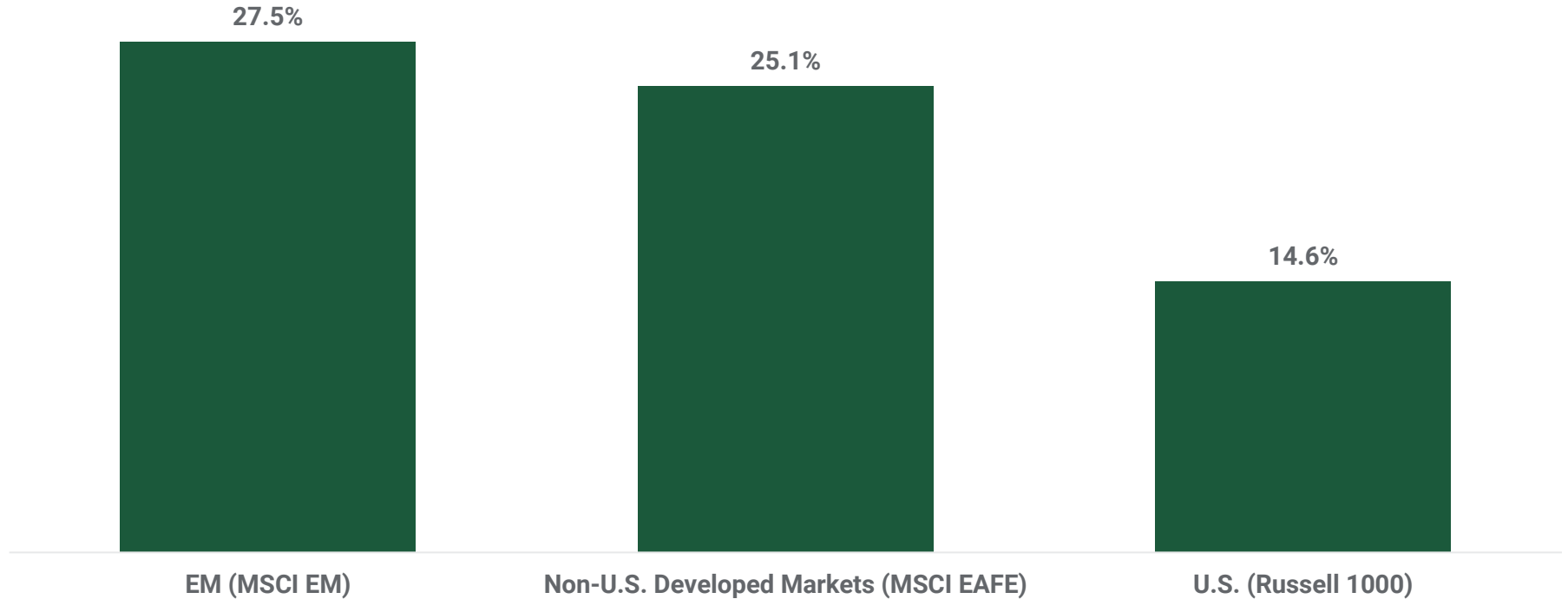
*GLA: Gross Leasable Area; CAGR: Compound Annual Growth Rate

Source: Scotiabank Research "An In-Depth Look at Mexico" published August 2025. Use of chart is based on a prior written consent. It may not be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of Scotiabank.

Looking Ahead

Recent Comeback of EM Equities

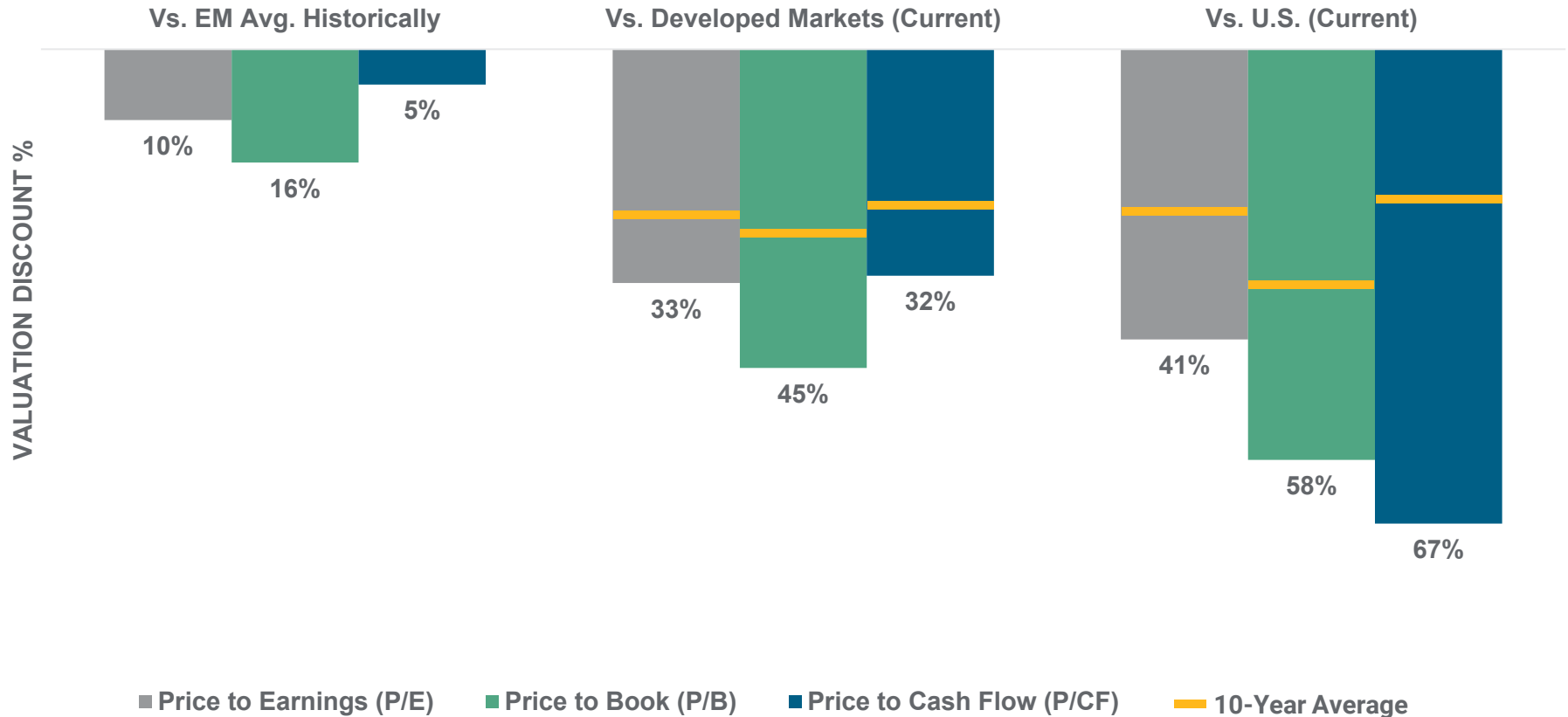
Performance by Asset Class for Year-to-Date 9/30/25



YEAR-TO-DATE RETURNS AS OF SEPTEMBER 30, 2025 | Source: FactSet. It is not possible to invest directly in an index. Reinvestment of dividends and capital gains assumed. Past performance is not a guarantee of future results. EM Growth: MSCI Emerging Markets Growth Index; EM Value: MSCI Emerging Markets Value Index; Global Value: MSCI World Value Index; Global Growth: MSCI World Growth Index; US Value: Russell 1000 Value Index; US Growth: Russell 1000 Growth Index.

Emerging Markets Relative Valuations

MSCI EM Index Valuations vs. History, Developed Markets and the United States



AS OF SEPTEMBER 30, 2025 | Source: MSCI; "Vs. EM Avg. Historically" is based on the monthly average of the MSCI Emerging Markets Index from December 31, 1995 to March 31, 2024; Developed Markets represented by the MSCI World Index; U.S. represented by the S&P 500 Index. It is not possible to invest directly in an index. Price/Earnings average is an asset-weighted harmonic average. Price/Book average is an asset-weighted harmonic average. Price/Cash Flow average is an asset-weighted harmonic average. Price/Cash Flow is suppressed for the commercial banking, insurance, and thrift and mortgage finance industries to be consistent with MSCI's practices.

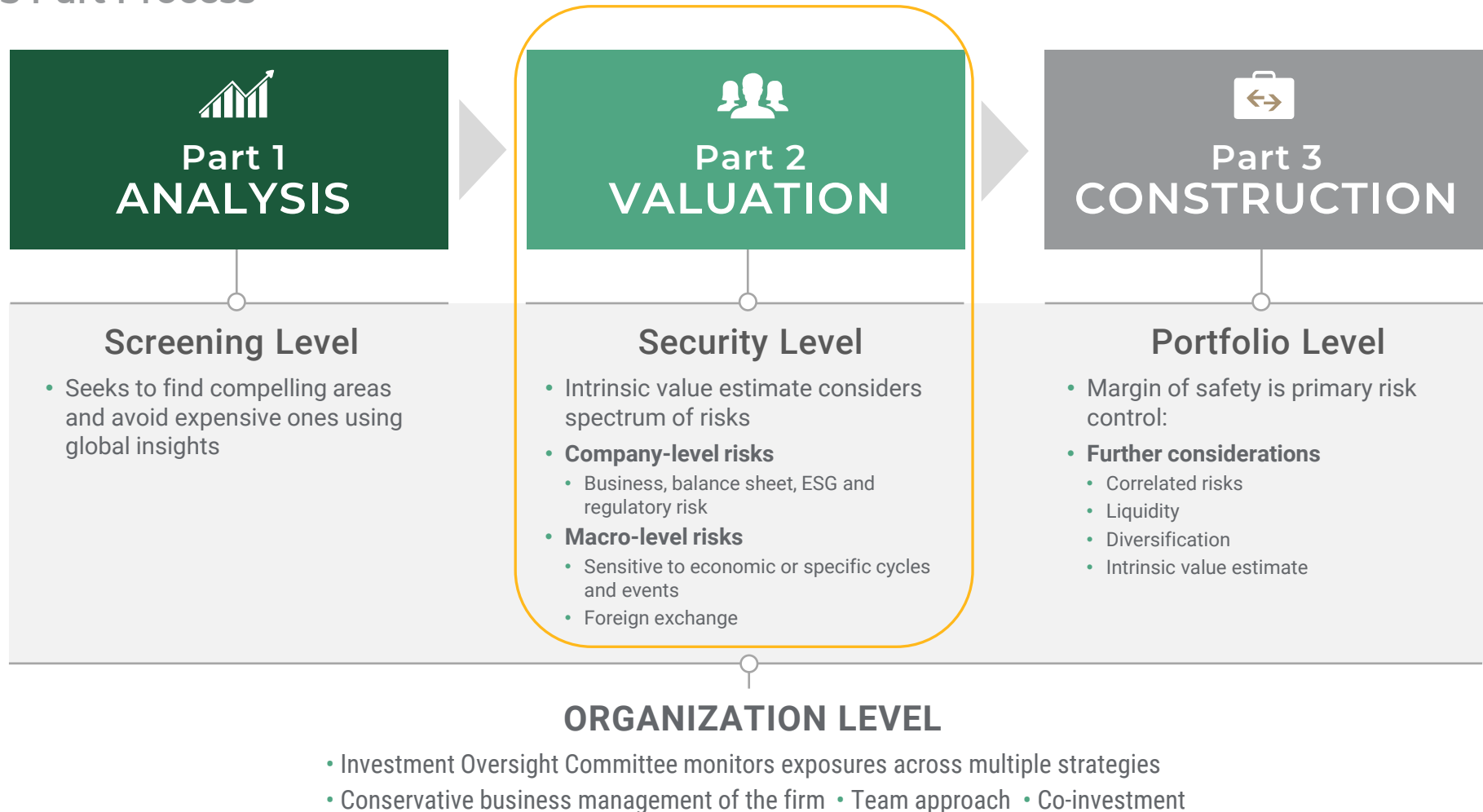
Conclusion

- **Volatility has been a consistent presence in emerging markets investing. Thoughtful investors can potentially take advantage of that volatility to find attractively priced opportunities.**
- **The current market environment is no different; both risks and opportunities exist.**
- **Brandes remains consistent in applying a fundamental, bottom-up stock selection process. We consider the impact of various risks on our intrinsic value assessment of each individual business considered for investment.**

Appendix

Active, Fundamental Risk Management

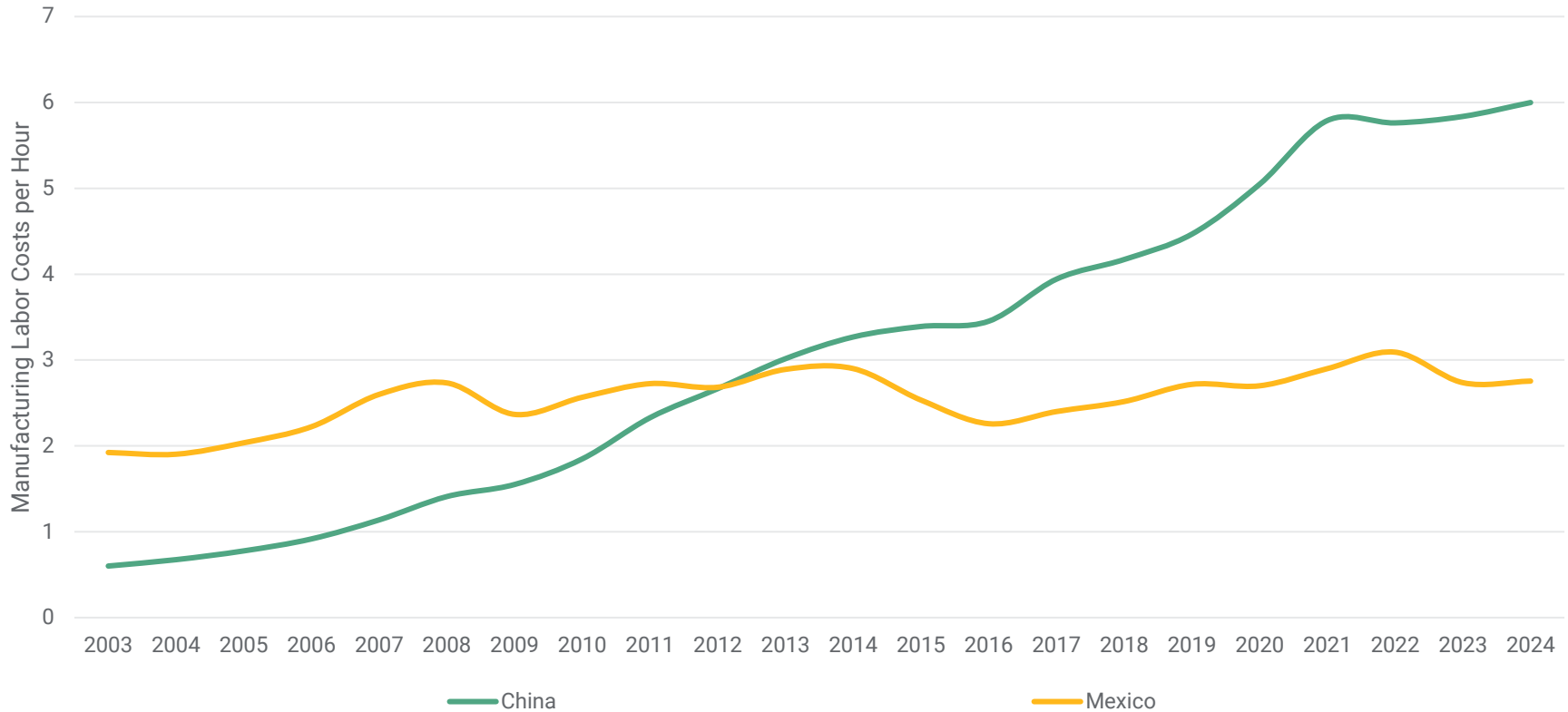
3 Part Process



Intrinsic value estimates can change over time. The margin of safety for any security is defined as the discount of its market price to what the firm believes is the intrinsic value of that security. Diversification does not assure a profit or protect against loss in a declining market.

Manufacturing Labor Costs per Hour (U.S.)

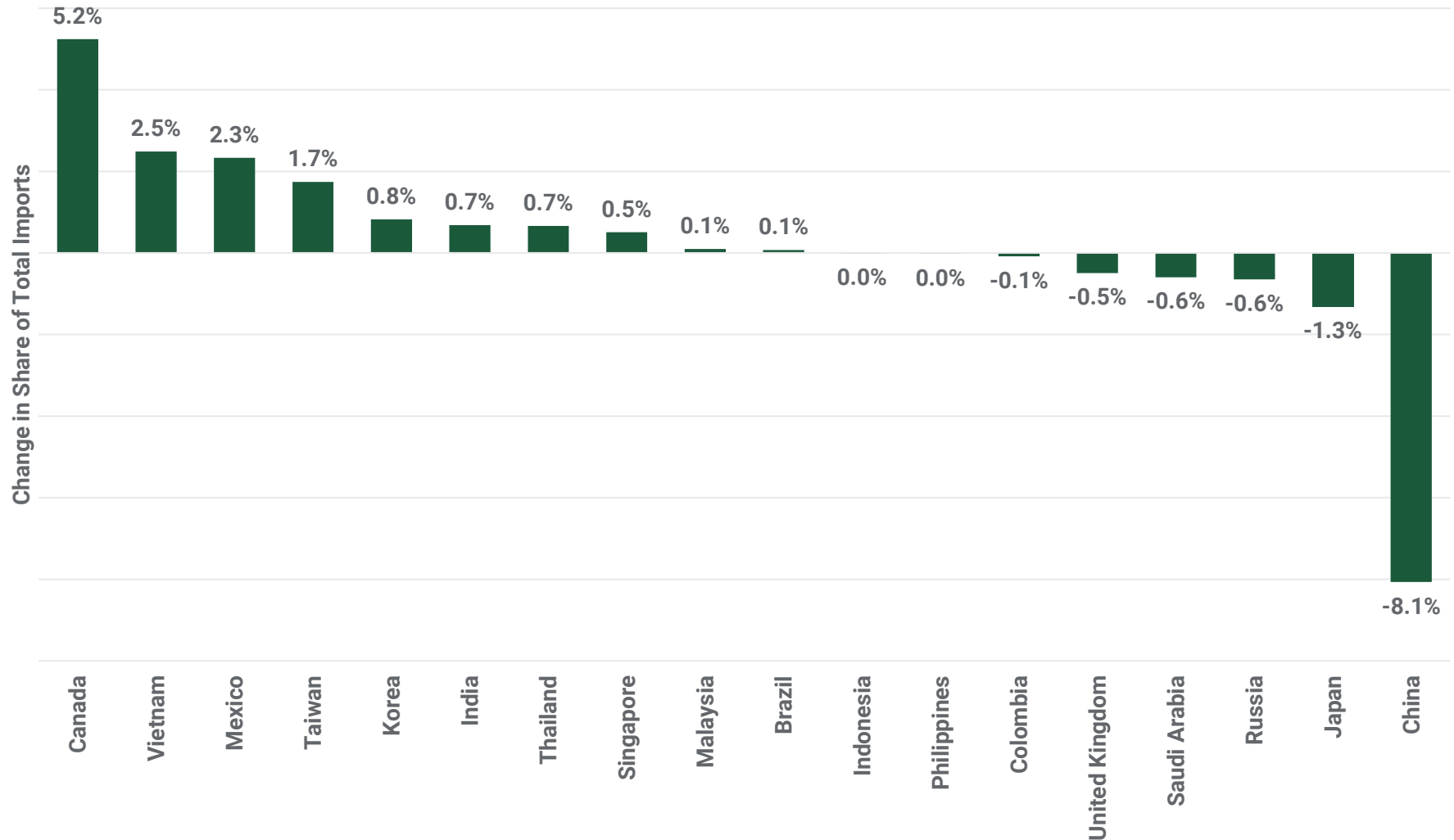
Mexico vs. China



Source: BTG Pactual Investor Education Presentation "Nearshoring Case" from October 2025. Use of chart is based on a prior written consent. It may not be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of BTG Pactual.

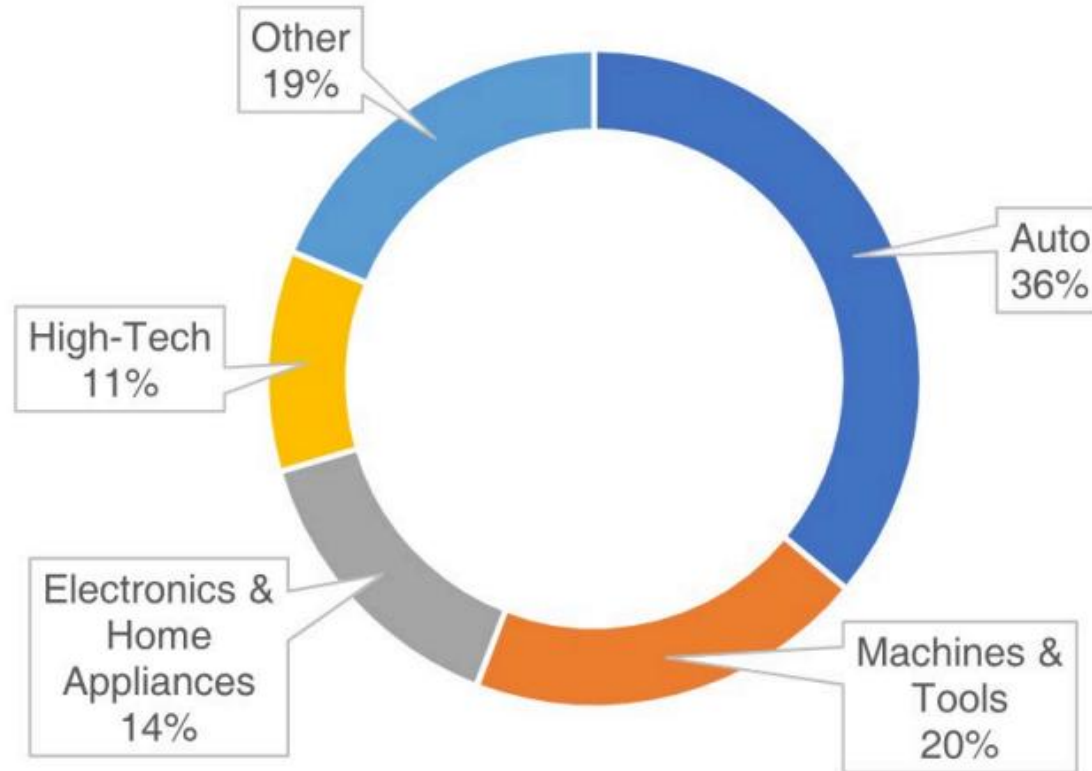
U.S. Imports by Country of Origin

Change in Share of Total Imports (2015 vs. 2024)



Auto Industry Accounts for the Largest Share of Nearshoring Demand

2019-2024 Net Absorption Driven by Nearshoring



Source: Scotiabank Research "An In-Depth Look at Mexico" published August 2025. Use of chart is based on a prior written consent. It may not be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of Scotiabank.

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