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Aberdeen's Robinson On How Emerging Markets Are Now An AI Play

Friday, January 30, 2026



Chuck Jaffe, in this episode of The NAVigator podcast interviews Nick Robinson, Deputy Head of Global Emerging Market Equities at Aberdeen Investments. Nick says that the artificial intelligence wave that has pushed domestic stock markets to record highs is readily apparent around the world, including in countries that are not necessarily synonymous with technology, and that the capital expenditure wave should continue to power foreign markets if companies

can monetize the potential gains created by AI. He also discusses how markets are weathering geopolitical events and why he thinks they will continue to push higher despite nervous headlines.

The podcast can be found on AICA's website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

CHUCK JAFFE: We're assessing the picture for international and emerging markets investments with Nick Robinson, deputy head of global emerging market equities for Aberdeen, this is The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, which is a unique industry organization in that it represents the entire spectrum of the closed-end fund business from fund sponsors and creators down to users and investors. If

you're looking for excellence beyond indexing, The NAVigator will point you in the right direction. And today our directions, well, they're going everywhere around the world with Nick Robinson, he's deputy head of global emerging market equities for Aberdeen, which you can learn about at AberdeenInvestments.com, and while you're there, you might want to look for Nick's podcast for Aberdeen, it's called *The Emerging Markets Equities Podcast*, and it'll give you even more details on what Nick and the team are thinking about investment opportunities around the world. If you want to learn more generally about closed-end funds, interval funds, and business-development companies, then you might want to go to AICAlliance.org, that's the website for the Active Investment Company Alliance. Nick Robinson, thanks for joining me on The NAVigator.

NICK ROBINSON: You're welcome, Chuck. Thanks for inviting me on, it's a pleasure to be here today.

CHUCK JAFFE: Let's talk about where in the world you're seeing the best opportunities, because there's plenty of tension, there's a lot of ancillary stories, and we've got a dollar that has been weaker that has made international investments more attractive, but that doesn't mean that all places around the world are created equal. So what's your take on what is looking good and what's not right now?

NICK ROBINSON: Yeah, it's a good place to start with emerging markets given we have many, many countries all around the world and in very different regions of the world. It's an interesting time to be an emerging market investor, one of the things that's really become apparent over the last couple of years is just how much of emerging markets these days is tied to a lot of the AI supply chain boon that's been going on. Obviously you've got all the big names in the US that dominate AI like NVIDIA and Microsoft and OpenAI and all those guys, but one thing that's become apparent is just how many emerging market companies are connected to that and are in the value chain. That doesn't just lead to the more obvious places in emerging markets like Taiwan Semiconductor which makes all the chips for NVIDIA, but it's also the Korean companies that make memory chips for the AI processing systems, but then it kind of spreads down even further to companies that make electrical grid infrastructure systems which are pretty big in South Korea, and even uranium miners as well for the potential resurgence in nuclear power that we're seeing. I would say there's an awful lot of companies in emerging markets that are tied to that which are doing very well off the

back of this CapEx boon that's being driven by AI at the moment, so that's one area we've been looking in. I think particularly last year we started to look a little bit broader outside of the picks and shovels AI companies, or at least identified a few other opportunities there.

CHUCK JAFFE: Are the opportunities in AI internationally more about the companies that are currently selling the AI stuff, or is it about what's happening next? Beyond picks and shovels, everyone's saying AI's going to create this massive productivity boom, but we haven't seen it yet, what we have seen is massive amounts of investing to hopefully get that. Do we wind up seeing that investment really buoy international companies here or is there something coming where we have to prove the concept before we can get the next leg of the boom?

NICK ROBINSON: That's a really interesting question. I think for global markets it's very easy to point to the US and say monetization is occurring now in the US, whether or not there'll be enough monetization to justify the CapEx, who knows, we're in early days so far, but I'm sure some companies will manage to do that. I think in emerging markets it's a little bit less clear, right? So yes, there's a lot of companies who are benefiting from the huge CapEx, that's now panning not just tech but also some of the industrials and materials sectors, but are there companies that are now using AI to monetize? I would say if you look broadly around emerging markets, there are, but I would say it's fairly focused now in China. So China has really developed some very strong AI systems, we saw that really at the beginning of last year when we had that DeepSeek moment which made the whole tech market wobble for a quarter or so when it just became apparent that China had really developed a lot of very powerful AI tools using less powerful hardware equipment. So I think we are seeing that in China, the Chinese market is more balanced towards new economy type companies, so the likes of Alibaba and Tencent are beginning to show monetization, but I think outside of China it's just a bit less clear at the moment. Sure, there's some companies, particularly some of the new economy companies in various bits of the world that are doing some interesting things with AI, but I would say the monetization bit isn't as clear yet.

CHUCK JAFFE: Aberdeen has closed-end funds that look at the bulk of markets but also has a lot of funds that specialize in various areas, you've got emerging markets excluding China for example. Given so much of the focus has been on AI, and then so much of that focus has been on China, where else in the world are you finding the AI story? Or is the investment story in the rest of emerging markets one that is not AI and is maybe more driven by weak dollar?

NICK ROBINSON: When you look outside of China, Korea, Taiwan, which are the big AI markets in a way, it's a mixed picture. So you look at Latin America and a big chunk of that market's driven by copper, particularly Chile, Mexico, very tied to the copper price. Down in South Africa you've got real benefit from the gold price which has gone parabolic this year as you well know. There are an awful lot of opportunities outside of the AI-type themes, but the markets tend to be quite idiosyncratic in terms of how they behave, so you get the commodity-linked markets, you get the markets particularly in East Europe for instance which are being quite tied to German reflation and that kind of defense spending that's now going on as a result of less confidence in NATO. So there's all sorts of little drivers that are going on at the moment around the world, and I think different regions of emerging markets tend to be linked to different parts of those themes at the moment.

CHUCK JAFFE: There are a lot of global tensions, let's start with the tariff picture because that affects more countries, but how, if at all, has the tariff picture actually impacted investing in emerging markets?

NICK ROBINSON: Yeah, it's had some pretty interesting impacts. One thing that's become quite clear is just how asymmetric tariffs have been promoting the manufacturing of some countries versus others, and there a good example is say, Korea, so you've seen this real resurgence in the Korean stock markets in the last year, not just driven by chips but also driven by Korean industrial companies, the ship builders and defense companies in particular. So as the US has asymmetric regulation on Chinese vessels, and Chinese vessels are tariffed aggressively and charged more for docking in US ports, you've seen much more demand for Korean-built vessels, so that's linking into the ship building cycle that's going on at the moment. So tariffs can impact that way, and you've also seen tariffs and the threat of tariffs have quite big impacts on some emerging market currencies, India in particular stood out in the back half of last year as being quite aggressively threatened with tariffs and you saw quite a big weakness on the Indian rupee on the back of that. There's certainly a risk for emerging markets, I suppose even if Brazil, Brazil had an interesting case where they were aggressively tariffed for political reasons rather than economic reasons when former president Jair Bolsonaro was investigated for his various corruption activities and President Trump didn't appreciate that. So here's a country with a big tariff which has now mostly been

reversed, but yeah, it's another tool and I suppose a sign of how this former rules-based global order is starting to break down a bit.

CHUCK JAFFE: Obviously everything we saw in Venezuela was order breaking down and potentially trying to create a new order. Venezuela's not an emerging market, it's considered a frontier market, but how do those tensions play out? And for you, do they not wind up having much impact because while oil of course is central to the Venezuelan economy, not necessarily central to your investment outlook?

NICK ROBINSON: Yeah, it's a big question. I think you are seeing more conflicts around the world at the moment, we've had obviously Russia-Ukraine, the Middle East-Israel conflict, we had India-Pakistan bubble up a bit as well last year, and I think one of the impacts that's had is I suppose there are concerns about this global order is breaking down to some extent, and I think that has implications for the dollar. But even things like in 2022 when Russia invaded Ukraine and there was freezing of US dollar denominated central bank assets, you've seen quite a big demand in central banks buying gold now rather than dollars and seeing that mix shift, and I think that's continuing. And now with I suppose more concerns about tariffs and countries wanting to be more self-sufficient, again that points to a weaker dollar, stronger gold price, and with a breakdown potentially of the NATO agreement, again that points to more self-reliance and a move away from the US to some extent. So yeah, it is a concern, it does mean that risk premiums should head up, but generally speaking a weaker dollar is good for emerging markets, seeing that play out at the moment, so for emerging markets as an asset class it should hopefully still be okay.

CHUCK JAFFE: The other side of that, obviously there are times when you make your money based on earnings or there's times when you make your money based on what's happening and how currencies are changing, and then there's times to make it based on valuations. Obviously things like AI, those valuations are based a lot more on potential then they are about what's been happening broadly on the market, but for you where are the best valuations in the world in terms of what you're looking at?

NICK ROBINSON: Because there's been such a big divergence in markets and sector performance in the last year or two, I think there are pockets of very attractive valuations opened up. One thing that's worth looking at is the commodity sector, you've had very strong rally in companies that are linked to the copper price, the gold price, which means those

companies that are doing less exciting commodities like iron ore are very cheap and generating huge amounts of cash flow, also there's some very unloved parts of the market in the financial sector as well, banks in Korea, fintech companies in places like Kazakhstan which are generating huge amounts of cash and trading on very cheap valuations. So I think one of the nicer things I suppose about emerging markets and about these types of big trends that you see where one sector gets favored over another is that does leave more opportunities around for those that don't mind buying something that isn't quite as exciting perhaps but it's generating lots of cash which as bottom-up investors we find are quite exciting at least.

CHUCK JAFFE: Always exciting to find opportunities wherever they are around the world. Nick, thanks so much for joining me on The NAVigator to talk about 'em, I hope we get a chance to do it again sometime.

NICK ROBINSON: Thanks, Chuck. Thanks for the questions, they were great, I really enjoyed it.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and I am Chuck Jaffe, it'd be great if you'd check out my show on your favorite podcast app or you can go to MoneyLifeShow.com. Now to learn more about interval funds, closed-end funds, and business-development companies go to AICAlliance.org, it's the website for the Active Investment Company Alliance. Thanks to my guest Nick Robinson, he's deputy head of global emerging markets for Aberdeen, you can go to AberdeenInvestments.com to learn about their closed-end funds, but also to check out their *Emerging Markets Equities Podcast* which Nick hosts. The NAVigator podcast has something new for you every Friday, make sure you never miss an episode by subscribing or following along on your favorite podcast app, and if you liked this podcast, leave us a review and tell your friends about it because that stuff really does help. We'll be back with more closed-end fund fun next week, until then, happy investing, everybody.

Recorded on January 30th, 2026

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