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20 NOVEMBER 2026

AI: It's not just a US story. Emerging markets benefit too

Whilst preparing an internal presentation which covers both local and global macro thematics and company level updates, the October MSCI Country ETF (exchange-traded funds) chart caught my attention. These single-country ETFs track the performance of specific national stock markets, all priced in US dollars, which allows one to compare the performance of each country. Given all the American Artificial Intelligence (AI) hype, the results were not what I expected. The top performing country for the year to date was South Korea (+40.9%), followed closely by Taiwan (+40.5%) with the US trailing at 8.7%, just below the UK (+8.9%). This article will outline the reasons behind this outperformance and briefly touch on Altron, an exciting South African tech company which has the only AI factory in SA.



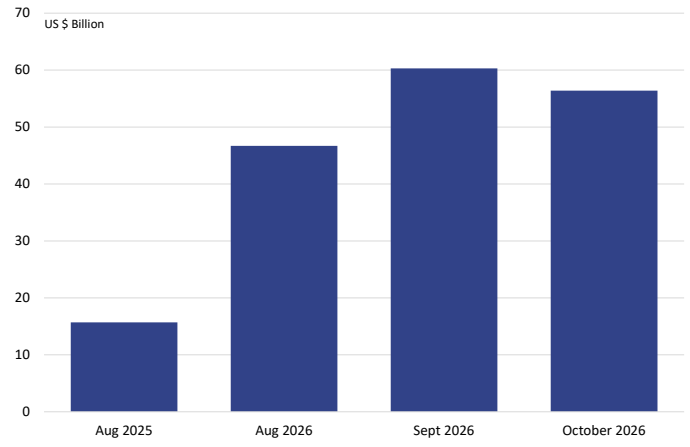
Nick Rogers

South Korea has benefitted tremendously from the AI-driven High Bandwidth Memory (HBM) boom. Think of an AI processor like a huge, fast factory that can do an incredible amount of work every second. But it can only stay busy if it constantly receives raw materials in the form of data. With normal memory, the road leading to the factory is narrow, so only a few trucks can bring data at a time. The factory often has to slow down and wait. With HBM, the road becomes extremely wide, with thousands of lanes right next to the factory. That means tons of data can arrive at once, almost instantly, so the factory can run at full speed without stopping. The memory sector is dominated by two companies. Samsung Electronics (29.1%) and SK Hynix (20.2%), account for c50% of the South Korean MSCI ETF. Exports to the United States surged 186% year-on-year, illustrating exactly where the AI data centre buildout is happening. With the rest of the country's tech companies making up just 6% of the basket, there is real concentration risk for when the cycle turns. Weakness since July has seen the index drop c40% off its highs (67.6%).

SPEED READ

- **South Korea exported $56.4 billion of AI chips in October, an increase of 259% YoY.**
- **Taiwan is home to the world's largest and most advanced chip manufacturer, Taiwan Semiconductor Manufacturing Company. The MSCI Taiwan ETF is #1 globally, up 53% YTD.**
- **Fears of a Democrat-led, AI datacentre build-out delays, resulted in $3 trillion being wiped off the S&P500 on a single day as voters became more wary of the AI sector.**
- **NVIDIA has lost c$1.6 trillion in market capitalization since early October as key-man risk, the resignation of Jensen Huang, AI-led geo-political tension with #2 China, and contagion disrupt the AI sector.**
- **JSE-listed tech firm, Altron, opened SA's first AI factory that will add a defensive and competitive advantage over local peers.**

SOUTH KOREAN CHIP EXPORTS

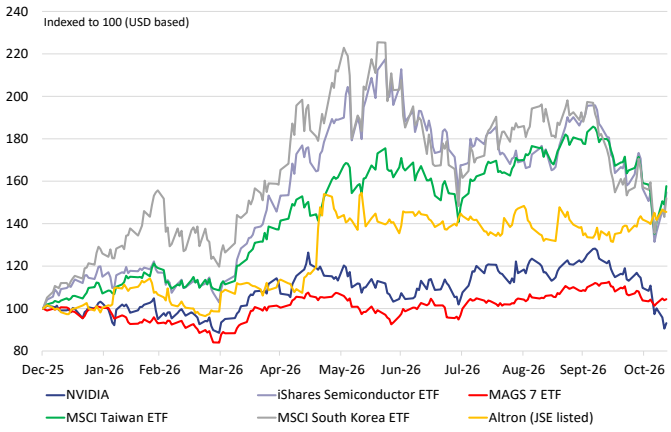


South Korea exported $56.4 billion of chips in October, an increase of 259% year-on-year - accounting for c50% of everything the country ships to the world.

Moving on to Taiwan, the home of the world's largest and most advanced chip manufacturer, Taiwan Semiconductor Manufacturing Company (TSMC). TSMC produces over 12,600 different products using 305 technologies, for 534 customers worldwide. Nearly 50% of TSMC's revenue comes from chips made with 5 nanometre (nm) technology or smaller, essential to AI's high-performance computing

requirements. These chips are found inside smartphones, servers, AI systems, cars, spaceships and satellites, to name a few. TSMC now makes up 39% of the MSCI Taiwan ETF, having enjoyed record revenues and earnings amid the AI boom which has contributed significantly to the Taiwanese market's strong performance. However, this ETF suffers from intense concentration risk, with information technology comprising 74% of the total exposure - well diversified versus South Korea, but highly concentrated by any other measure. Coupled with this, ongoing geopolitical uncertainties around China's imperialistic ambitions continue to weigh on long-term institutional ownership.

PERFORMANCE OF VARIOUS INVESTMENTS



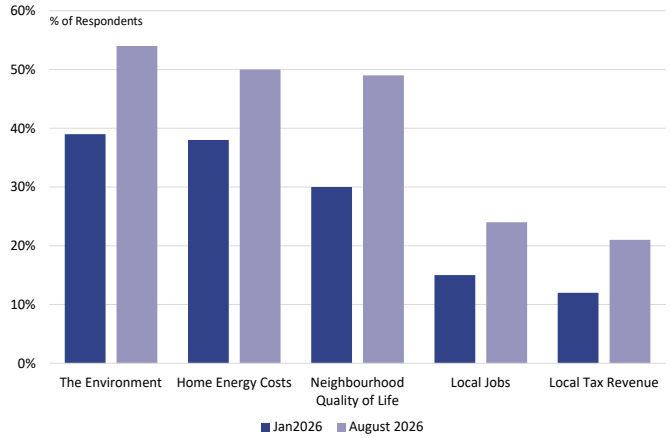
The strong, AI-driven semi-conductor demand has favoured the Taiwan and South Korea stock markets this year as investors have switched out of software players like Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla ("Magnificent Seven"). South Africa's tech firm Altron is punching above its weight, illustrating that there are opportunities on the JSE.

Last week, growing concerns about AI spending and returns collided with the US elections. Why? Recent projections suggest that the AI buildout could become the biggest infrastructure investment cycle in modern history, totalling $10.3 trillion from 2025 to 2032 and accounting for an average of 3.6% of US GDP during that period. Consequently, US President, Donald Trump, has been doing everything possible to ensure that America's global AI dominance maintains momentum, fuelling the spending spree. There is little doubt that the AI revolution will make life more efficient as its solutions accelerate technological advancement across every sector. However, opposition is growing, especially in the US as highlighted by a survey conducted by Pew Research Center. It found that:

1. 54% of those surveyed view data centres as bad for the environment (up from 39% in January),
2. 50% worry the massive power demands will drive up their home utility and electricity bills, and
3. 49% are concerned about a drop in local quality of life as new data centres spring up in their own backyard. Even local economic perks are losing their shine. 24% of people now see data centres as bad for local jobs (up from 15% in January) and 21% view them as bad for local tax revenue (up from 12%).

It makes total sense now why Democrats, who campaigned on pausing or regulating new AI/Datacentre projects, won key races in Ohio, Wisconsin, Georgia and Texas (which is on track to become the world's largest data centre market by 2030). In the midterm elections, 46 of the 47 (98%) decided ballot measures involving data centres, favoured limiting or delaying development. Fear of a slow-down in AI infrastructure build-out resulted in $3 trillion being wiped off the S&P500 on a single day. This reflects how closely global markets and parts of the economy have become tethered to the belief that artificial intelligence will drive nearly all major sectors. According to Bloomberg, the wider tech sector now accounts for more than 50% of the S&P 500's total market capitalisation, meaning that US pension funds and individual pension plans (401k's) are heavily exposed to concentration risk through the AI trade. Americans need to be careful what they wish for. We see the AI theme as a multi-decade structural theme but caution about the short-term volatility where returns on large capital expenditure investment are in the spotlight. According to Goldman Sachs, direct corporate AI operating expenses currently represent less than 0.5% of total S&P 500 revenues. We are clearly still in the early stages of adoption.

CHANGING US PERSPECTIVES



Fear of an AI slow-down resulted in $3 trillion being wiped off the S&P500 on a single day as Democrats appealed to the growing AI angst amongst US voters. The Republicans lost Texas which is on track to become the world's largest data centre market by 2030.

Moving to South Africa, where does one gain exposure to this theme, besides Naspers and Prosus' exposure to AI in China (via Tencent) and Datatec across Europe, N America and Asia-Pacific? I will focus briefly on Altron, the only JSE-listed company to have its own AI factory. Last month,

I met with Bongani Mabaso (Chief Technology Officer). He said, "We are not choosing between global technology excellence and local context, we are combining both. Working with our technology launch partners, we have created an ecosystem where South African businesses can now build cutting-edge AI solutions and enterprises can consume world-class AI services at competitive pricing, while maintaining local control." Hosted inside a Teraco NVIDIA AI-ready data centre, the factory runs on cutting-edge NVIDIA memory chips (GPUs) and NVIDIA AI Software. Client workloads and sensitive datasets remain within South African borders rather than traveling to expensive offshore cloud servers. This avoids months of offshore buildout costs, dependencies and expertise gaps.

"Altron benefits by growing from the "inside" where its own experts can invent and test AI concept."

Altron benefits by growing from the "inside" where its own experts can invent and test AI concepts and then offer high margin solutions to customers, with confidence. Bongani explained how Altron had worked with the largest financial services company on the continent, to solve a foreign exchange transaction headache. AI slashed the time taken to complete one task from one hour to just two minutes. A fee is earned per task, and the solution can now be rolled out across multiple institutions. Retail banks and financial institutions use the facility to run AI fraud detection and customer churn models. Because it is hosted locally under South African law, banks can safely process millions of transactional records without violating strict privacy compliance frameworks. A notable success case included helping the fast-food chain, Hungry Lion, reduce overtime costs by 22% using targeted AI scheduling models. This solution could be rolled out across hundreds of brands across the country adding high-margin annuity income. Altron's vehicle tracking and telematics arm, Netstar, ingests over 180 billion data points monthly. AI then creates predictive fleet maintenance and video telematics that enhance driver safety whilst slashing costs. Through its fintech arms like Altron FinTech (NuPay), Altron uses AI to assess micro-lending risk profiles and intelligently manage collection strategies. By targeting South Africa's R1 trillion informal economy, using AI solutions, Altron will profit off AI-led efficiencies, giving it a defensive edge in this highly competitive market.

In conclusion, over the long term, AI's structural tailwinds remain indisputable. There will be winners and losers as AI expenditure rotates from heavy infrastructure investment in semiconductors and data centres toward software and value-added services (VAS). Long-term value is shifting towards companies that monetise AI through enterprise software, cloud services, and operational efficiencies. Emerging markets, like Taiwan and South Korea remain well-positioned to benefit, supported by young, tech-savvy demographics and competitive labour costs. While South Africa's exposure is largely indirect and a lag between capital spending and return on investment is inevitable, the country firmly leads Africa's data centre and AI infrastructure race.



Altron's Netstar vehicle tracking service is benefitting from its parent company's AI expertise.

Or next seminar series will be held in November, when we traditionally review the past year and cast our eyes forward to the new year. We will do some with some trepidation, as we try to unpack whether 2027 will bring clam or chaos.

Topic:	Outlook for 2027 – a more normal year?
Natal Midlands	
Date:	3rd of December, 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm
Johannesburg	
Date:	24th of November, 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am
Cape Town	
Date:	26th of November, 2026
Venue:	J&J Belmont Square, Belmont Road, Rondebosch
Time:	7.30am
Venue:	Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town
Time:	5.30pm for 6pm

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