Hood River CM Emerging Markets Fund

June 2026

Emerging Markets Fund Commentary - Q2 2026 - Hood River Capital Management

About

Philosophy & Process Our Team Culture

Strategies

U.S. Small-Cap Growth New Opportunities International Opportunity Emerging Markets Private Growth

Hood River Funds

U.S. Small-Cap Growth Fund New Opportunities Fund International Opportunity Fund Emerging Markets Fund

News & Insights Contact

By

July 17, 2026

News

Emerging Markets Fund Commentary - Q2 2026

Click here to download a PDF version of the commentary. Emerging markets continued to build momentum in the second quarter, supported by improving earnings, broadening investment in AI infrastructure, and increasing differentiation across countries and sectors. In the first quarter, the asset class demonstrated resilience despite geopolitical volatility and tighter financial conditions. During the second quarter, many of the fundamental trends we had identified began to translate more visibly into reported results and market expectations. In our view, this helps to reinforce that the emerging markets opportunity is increasingly being driven by company-specific earnings inflections rather than a single macroeconomic or regional narrative. In our first-quarter commentary, we highlighted an emerging AI-driven capital expenditure cycle across China, Taiwan, and South Korea, with opportunities spanning semiconductors, electronics supply chains, power infrastructure, and industrial automation. During the second quarter, order momentum and pricing conditions improved across several of these areas, particularly memory, passive components, advanced packaging, testing, optical connectivity, and power management. At the same time, more localized themes, including the recovery in China's memory industry and the development of domestic robotics supply chains, broadened the opportunity set. The market increasingly rewarded businesses positioned at critical points in these supply chains, where demand was strengthening faster than prevailing expectations. In the second quarter, the Hood River Emerging Markets Fund Institutional Share Class returned +53.03%, outperforming the MSCI Emerging Markets Index, which returned +24.05%, by 28.98%. Year to date, the Fund returned +71.95% versus +23.85% for the benchmark. Portfolio attribution indicates that security selection accounted for the majority of relative outperformance. Information technology was the largest source of relative return, followed by industrials and financials. Every sector contributed positively to relative performance during the quarter. Information technology remained the Fund's largest area of exposure, but performance was not dependent on a single company or one segment of the semiconductor industry. Contributors spanned memory, foundry, advanced packaging, testing, printed circuit boards, optical components, and power electronics. Industrials also contributed meaningfully, reflecting our exposure to power equipment, precision manufacturing, and robotics. This breadth is important to our all-cap approach: we can combine established large-cap companies with smaller and mid-sized businesses where our research seeks to identify an underappreciated change in earnings power. Samsung Electro-Mechanics (2.71%) was one of the Fund's leading contributors during the quarter. We identified an improvement in the multilayer ceramic capacitor, or MLCC, cycle before it was broadly reflected in market expectations. MLCCs are essential passive components used to regulate and filter electrical current across electronic devices, automobiles, servers, and industrial equipment. While the market initially viewed the recovery primarily through the lens of consumer electronics restocking, our research suggested that the more important driver was strengthening demand for higher-value components used in AI servers, data centers, advanced driver-assistance systems, and electric vehicles. As utilization improved and the product mix shifted toward these higher-performance applications, the company's earnings potential became more visible. Samsung Electro-Mechanics subsequently reported strong growth and highlighted continued demand for MLCCs used in AI servers and automotive applications, supporting our view that the cycle was broader and more durable than a conventional consumer recovery. GigaDevice Semiconductor (1.84%) was another meaningful contributor. The company is a leading Chinese fabless semiconductor supplier with products spanning NOR Flash, niche DRAM, microcontrollers, and analog chips. Our thesis centered on an inflection in the China memory cycle. Supply tightened as global producers reduced exposure to selected legacy memory categories, while demand improved across industrial, automotive, computing, and AI-related applications. This created a more favorable pricing environment and increased the strategic value of domestic suppliers. GigaDevice's first-quarter revenue and earnings growth materially exceeded prior-year levels, reflecting both the cyclical recovery and operating leverage within the business. We believe the market had underappreciated the company's ability to benefit from tighter memory conditions while expanding into higher-value products and applications. Leader Harmonious Drive Systems, also known as Leaderdrive, illustrates how the portfolio's opportunity set is broadening beyond data center infrastructure into robotics and embodied intelligence. The company manufactures precision strain-wave reducers and integrated actuators, components that convert motor speed into the accurate, high-torque motion required at a robot's joints. Rather than attempting to predict which branded robot platform will ultimately dominate, we prefer to identify enabling technologies that may benefit as the broader industry scales. Humanoid robots require numerous compact, high-precision joints, making reducers and actuators critical components of the system. Leaderdrive has established a leading position in China's domestic market and has developed products for industrial, service, and humanoid robotics. Given the early stage of adoption and the potential for volatility, the position remained appropriately sized, but the company provides differentiated exposure to a potentially significant long-term manufacturing transition. The quarter's results also demonstrate the interaction between global and domestic investment cycles within emerging markets. Korean and Taiwanese companies benefited from accelerating global demand for memory, advanced computing, and semiconductor manufacturing, while selected Chinese companies benefited from localization, improving industry supply-demand conditions, and investment in automation. These are related but distinct drivers. We believe this diversification of earnings catalysts may create a broader and more resilient opportunity set than a portfolio built around a single country, commodity, or macroeconomic outcome. Strong performance also requires continued discipline. Following the rapid appreciation of several holdings, market expectations are higher and the margin for error has narrowed. We continue to evaluate order quality, pricing, capacity additions, customer concentration, competitive intensity, and valuation. We also seek to carefully distinguish between businesses benefiting from a temporary cyclical recovery and those where a cyclical upturn is reinforcing a longer-term structural change. Looking ahead, we believe the emerging markets universe remains an attractive environment for active management, although the opportunity set has become more selective following the strong first-half rally. The structural drivers discussed in our first-quarter commentary-including AI adoption, semiconductor localization, power infrastructure investment, manufacturing automation, and rising consumption-remain in place. The second quarter provided evidence that several of these themes are moving from anticipation into earnings realization. Our focus remains on seeking to identify companies at fundamental inflection points where improving earnings, competitive positioning, and long-term growth are not yet fully reflected in market expectations. Ruoshi Qi, Lance Cannon Emerging Markets Fund Performance as of 6/30/26 3 Months YTD Since Inception HR Emerging Markets Fund (Inst) 53.03% 71.95% 82.21% MSCI Emerging Markets (Net) 24.05% 23.85% 29.93% Institutional Share Class inception date: 11/24/2025 Performance quoted represents past performance for the Fund's institutional class shares and there is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. Current performance may be higher or lower than the performance data quoted above. Please call 800-497-2960 to obtain current and the most recent month-end performance data. The Institutional Share Class gross expense ratio: 4.37%; net expense ratio (contractual through 11/24/28): 1.25%. Performance would have been lower without the waiver. Earnings are a company's profit after taxes. Valuation is the analytical process of determining the current or projected worth of an asset or company. Investment Considerations: All investing includes risk, including the loss of principal. The Fund invests in large-cap securities as well as small-cap and mid-cap securities, which present a greater risk of loss than large-cap securities, and in growth companies which can be more sensitive to the company's earnings and more volatile than the stock market in general. The Fund may also invest in foreign securities which are subject to risks including currency fluctuations, economic and political change and differing accounting standards. The Fund may invest in emerging and frontier markets, which have risks including potential for extreme price volatility and illiquidity; government ownership or control of parts of the private sector and of certain companies; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures; and relatively new and unsettled securities laws. To the extent the Fund invests a significant portion of its assets in the securities of companies of a single region or country, it is more likely to be affected by events or conditions impacting that region or country. The Fund may invest in derivatives and initial public offerings (IPOs), which are highly volatile. Additional risk information may be found in the prospectus. *All information in this report is as of June 30, 2026 unless otherwise indicated. The benchmark is the MSCI Emerging Markets Index, defined as a free float-adjusted market capitalization index designed to measure the equity market performance of large and mid-cap stocks across 24 defined emerging market countries. Investors cannot directly invest in an index. Emerging Markets Fund Top Ten Holdings as of June 30, 2026: Samsung Electronics Co Ltd: 9.79%; SK Hynix Inc.: 8.22%; Taiwan Semiconductor-SP ADR: 7.57%; ASE Technology Holding Co.: 3.17%; Samsung Electro-Mechanics Co.: 2.71%; Delta Electronics Inc.: 2.54%; Inniio Holding GMBH: 2.39%; Zhongji Innolight Co Ltd: 2.36%; Mediatek Inc.: 2.30%; Kioxa Holdings Corp.: 2.19%. Investors should carefully consider the Fund's investment objective, risks, charges, and expenses before investing. For a prospectus or summary prospectus, which contains this and other important information about the Fund, please call 800-497-2960. Please read the prospectus carefully before investing or sending money. Diversification does not assure a profit, nor does it protect against a loss. The Hood River Emerging Markets Fund is distributed by Quasar Distributors, LLC. Hood River Capital Management LLC serves as the advisor to the Hood River Emerging Markets Fund. NOT FDIC INSURED-NO BANK GUARANTEE-MAY LOSE VALUE

Share:

Prev

Next

Form ADV 2A | Form ADV 2B | Form CRS Relationship Summary | Privacy Notice | California Privacy Notice | Website Privacy Notice

Hood River Capital Management LLC serves as the advisor to the Fund. Go to Advisor Website

About

Philosophy & Process Our Team Culture

Strategies

U.S. Small-Cap Growth New Opportunities International Opportunity Emerging Markets Private Growth

Hood River Funds

U.S. Small-Cap Growth Fund New Opportunities Fund International Opportunity Fund Emerging Markets Fund

News & Insights Contact