Institute

October 2025

Deep Water Waves

Accelerating, Broadening, Consequential

Introduction

Deep water waves originate in depths of around 200 metres or more.[1] They start out wide and accelerate rapidly, twisting and changing as they brush the contours of the seabed. They become intertwined with others and form bigger waves. The slope and the features of the seabed can either calm or exaggerate the force, current and speed of deep water waves. The extent of their power is hard to see from the surface, and we can easily misunderstand the potential impacts.

That is a striking parallel with the long-term drivers that face investors. We typically react to the impacts we can foresee on the surface, with the logical misattribution of the drivers beneath. Powerful 'waves' are sweeping away established assumptions before them, fundamentally altering the economic, political and public policy foundations for asset prices. Meanwhile, the struggle between supply-side and demand-side economics is changing, with a direct impact on the outlook for many countries. The relationship of these factors is one of interdependence, not dependence.

In our original 'Deep Water Waves' publication,[2] we identified several powerful, connected and long-duration factors that will have a significant impact on investment returns over the next decades. This paper explores the interplay between them and updates on their likely impact on investment outcomes in the next decade.

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What has changed overall?

The underlying 'waves' are the same, but accelerating, growing and strengthening. The big takeaways are:

1. **Economic logic is no longer the main driver.** All around the world, ***geoeconomic*** logic prevails. That means that investors need to consider new, tough-to-quantify concepts in their valuation criteria: The weaponisation of energy supply, security relationships, supply chains and trading relationships, access to financial systems, even the pricing of commodities, through a new lens.
2. Globalisation in all dimensions (trade, labour, capital flows) is now even more in jeopardy. Therefore, for a significant period (at least the remainder of this decade), **global growth will be weaker** than previously expected. That matters for real interest rates, debt levels and equilibrium equity valuations.
3. **The conversion of Europe is real.** Germany's *Zeitenwende* (turning point) could radically change the trajectory of government debt issuance, the global competition for capital and real exchange rates.

How are the waves relevant to investors?

Investors might like to think about these waves as powerful forces that present a mismatch between the sometimes-distant future impacts and today's asset allocation. It is possible to arbitrage the mismatch between (democratic) government mandates and actions they must take now to avoid the worst outcomes in the future. However, the most useful approach would be to think of the Waves as slices of risk, categorised by maturity, as in a fixed income portfolio.

- The ***near-term waves*** are geopolitics and technology, which seem to have the highest momentum and a wide spectrum of economic impacts, from supply chains, to trade, to foreign and industrial policy.
- The ***medium-term waves*** are debt, taxation and climate change, although for countries that are already economically and politically fragile, the negative impacts represent a clear and present danger.
- The ***longer-term waves*** are demographics and longevity. Unfortunately, they also require significant investment and serious policy planning today. They appear to be the most exposed to the inevitable mismatch of political horizons and the sharp end of the impacts, especially for low-income countries.

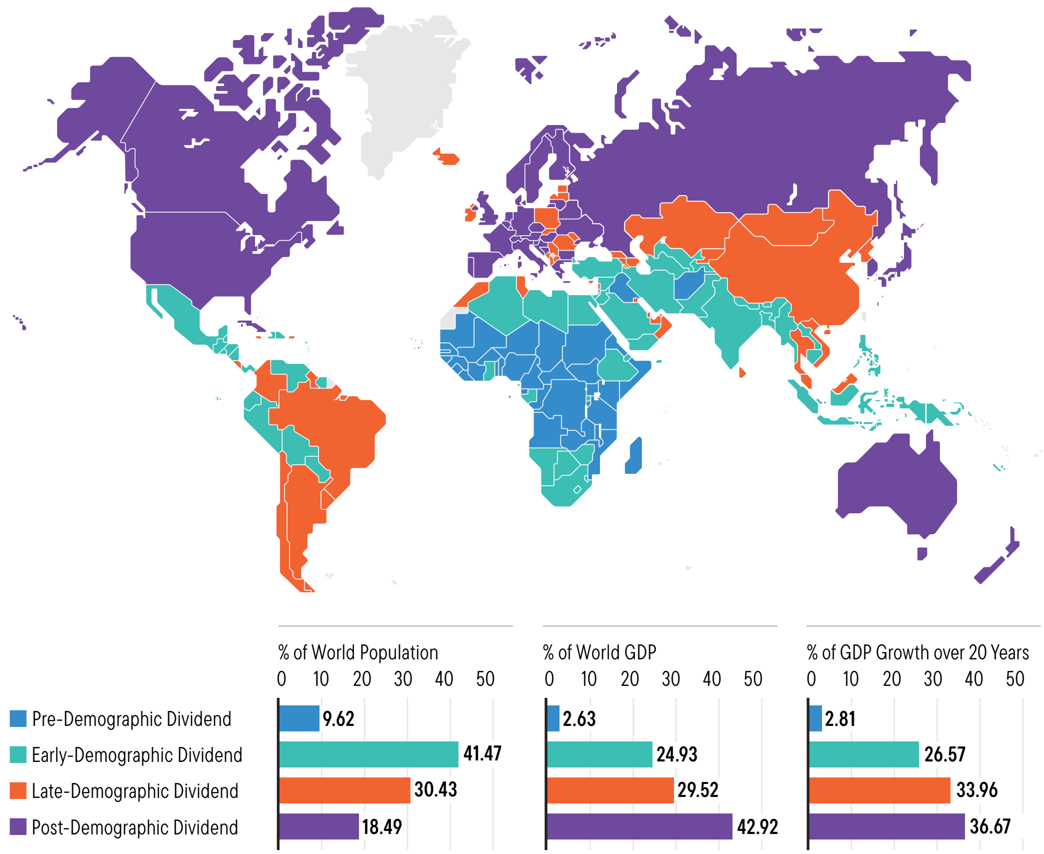
The demographic wave

Global growth is set to slow to below its long-term trend of 3.5%[3] over the next generation

Countries driving global economic growth are experiencing population ageing, resulting in fewer workers and higher liabilities for older citizens. As the ratio of dependents rises, taxes and health care costs increase, straining economic growth. Productivity gains are unlikely to fully counterbalance these demographic challenges.

Exhibit 1: The Geography of the Demographic Dividend

The Four Stages of the Demographic Dividend Cycle



Note: Data as of 2023. *Change over period from 2003 to 2023. Demographic dividend is the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older).

Sources: World Bank, Macrobond and UNFPA—United Nations Population Fund. Analysis by Franklin Templeton Institute. The World Bank classifies Russia as Late Demographic Dividend, but its age group distribution and fertility rate are typical of the countries classified as Post Demographic Dividend.

However, demographics are not destiny. The parameters set by demographics dictate that governments must implement decisive policies now: 1. Incentivise more savings, starting earlier in life, 2. Invest in continuous education, to ensure the workforce is renewing its skill levels to cope with new technology and 3. Change the perception of health care as a repair function to a preventative role, thus ensuring longer working lives are productive.

The 'boomer' generation is diminishing as a proportion of the workforce. Gen X and younger generations like the millennials and Gen Z are taking over, with different health needs. They appear to have different levels of 'holistic health,' according to a recent study.[4] It seems that social and mental health, particularly in the younger cohorts, is in decline.

The combination of macroeconomic uncertainty, political polarisation, loss of confidence in government and the pressures around social media conspire to create a need for trust and support. Whether it's concerns around the advent of artificial intelligence (AI), the financial pressures of supporting children and elderly parents, the role of the employer as a source of stability is enormously important.

Companies must take these factors into account in managing a multigenerational workforce. If employees feel valued, trust can become a powerful multiplier of strategies to attract and retain them. And in a world of increasing competition for human capital, this can become a competitive advantage over time.

Migration remains a sensitive political issue

National borders continue to harden due to growing anti-immigration sentiment, negatively impacting lower-income countries reliant on remittances. This shift, exacerbated by COVID-19, may lead to lost productivity and output we see significant investment in technology. For lower-income countries, reduced remittances hinder progress in poverty alleviation, education and development. For more detail, see *Deep Waves—Longevity, the undertow to the demographic wave.* Wealthy countries are not renewing commitments to multilateral organisations like the World Bank and IFC, widening the development gap and maintaining migration pressures.

Signpost: The immigrant expulsion experiment underway in the United States will be interesting to observe as it unfolds, as the construction, hospitality and agricultural sectors are particularly vulnerable to labour shortages.

Fact: According to research[5] over a 20-year period by PEW Research Center, 14 countries with low fertility saw an increase in their populations purely because of migration. The UAE, Germany and Italy felt the greatest impact. In 17 countries, immigration significantly mitigated the population reduction. In Romania and Japan, the population decline was curbed by half and a third, respectively.

The technology wave

The next decade will see an urgent and widespread boom in investment in innovation across all economic sectors. It will be in both private and public sectors, with much of it driven by geopolitical imperative, not economic value alone.

Driven by national security as much as economic considerations, the wealthy nations at least appear set to urgently invest in technological innovation. The use of automation will accelerate across all sectors. Widespread adoption requires urgent deployment of certain enabling technologies such as 5G, as well as accelerating the implementation of AI and machine learning applications across sectors, along with the development of quantum computing.

AI is out of the research labs

The promise of AI, in particular, has captured the imagination, because of rapid progress and the sheer range of applications. In business, investors expect efficiency improvements, cost reduction and new opportunities, such as automated investment platforms and personalised medicine. AI's ability to analyse large datasets quickly promises higher quality analysis and forecasting, with valuable insights.

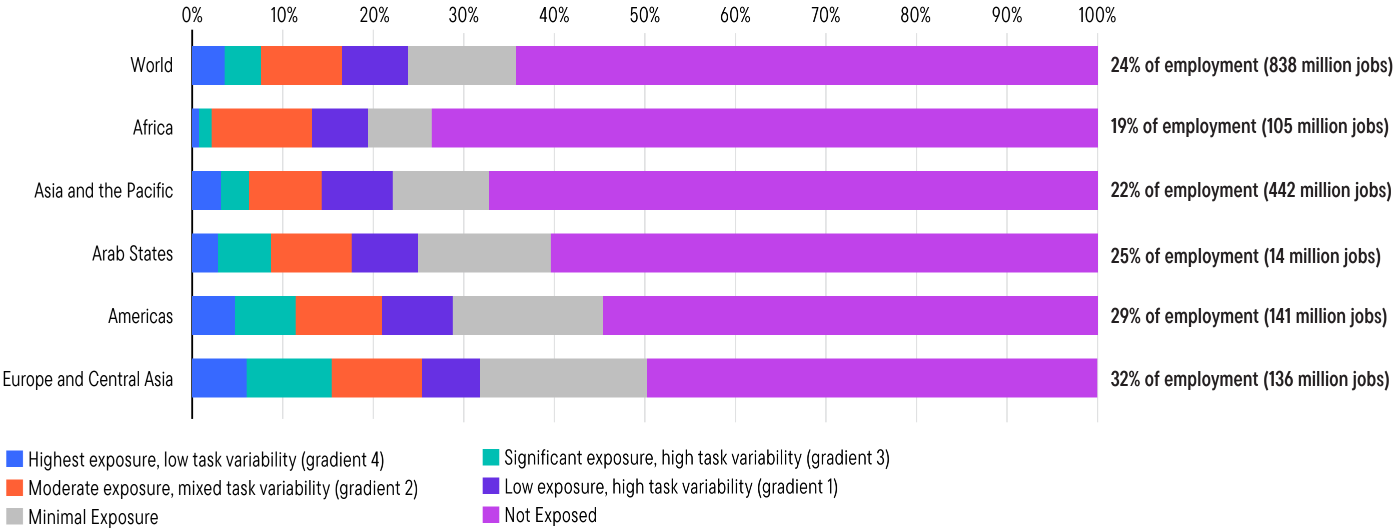
AI will bring a significant workforce transformation, with attendant pressures and risks for the economy and society at large. The scalability it offers is unique, but dislocations of the job market rarely go smoothly and in democracies, political fallout is typically close behind. There is little doubt that enhanced efficiencies from automation and faster cycles of innovation will boost economic growth, but it could result in greater inequalities. And for democracies, there are major considerations around ethics, bias, transparency and accountability.

The bottom line is that technological progress is speeding up—AI is no longer confined to research labs. It's pervasive in logistics, health care diagnostics, finance and even smartphones. The degree to which it succeeds in accelerating progress in a variety of fields from biotech to climate modelling will determine its ultimate value.

Exhibit 2: Proportion of Jobs Potentially Affected by Generative AI

An International Labour Organization (ILO) Study[6]

As of May 2025



Source: International Labour Organization. Generative AI and Jobs: A Refined Global Index of Occupational Exposure. 20 May 2025.

In most cases, this requires new or updated legislation to account for transparency of algorithms, safety and fundamental rights. And this requirement adds a layer of complexity that arguably only matters in democracies. These technologies' use in service sectors has the potential to revolutionise the structure of the job market in advanced economies, in which the service sector has become prominent. There is a recognition that implementation could result in significant job losses among white collar workers, which could be problematic in democracies. The disadvantages are the capital requirements and the relatively long lead time to reaping the resultant boost to productivity, but the geopolitical struggle between the United States and China will be an important additional driver beyond economic value considerations, with impacts across all industries.

Signposts: The adoption of AI across industries will most likely progress in waves—investors will have to judge companies for their accuracy as well as the speed of AI adoption. See this *AI productive boom paper* from our Franklin Equity Group.

Elsewhere, the electrification of Europe and China continues to accelerate as part of the drive for energy security. Alongside the evolution of tech supply chains, this will deliver productivity gains, as set out in our recent paper, Consider This: Could Europe build a structural advantage via cheap electricity?

The debt wave

The tension between inflation and deflation will continue, but the calculus has changed. Longer term, control of inflation trumps economic growth, but the resolution will vary by country or region.

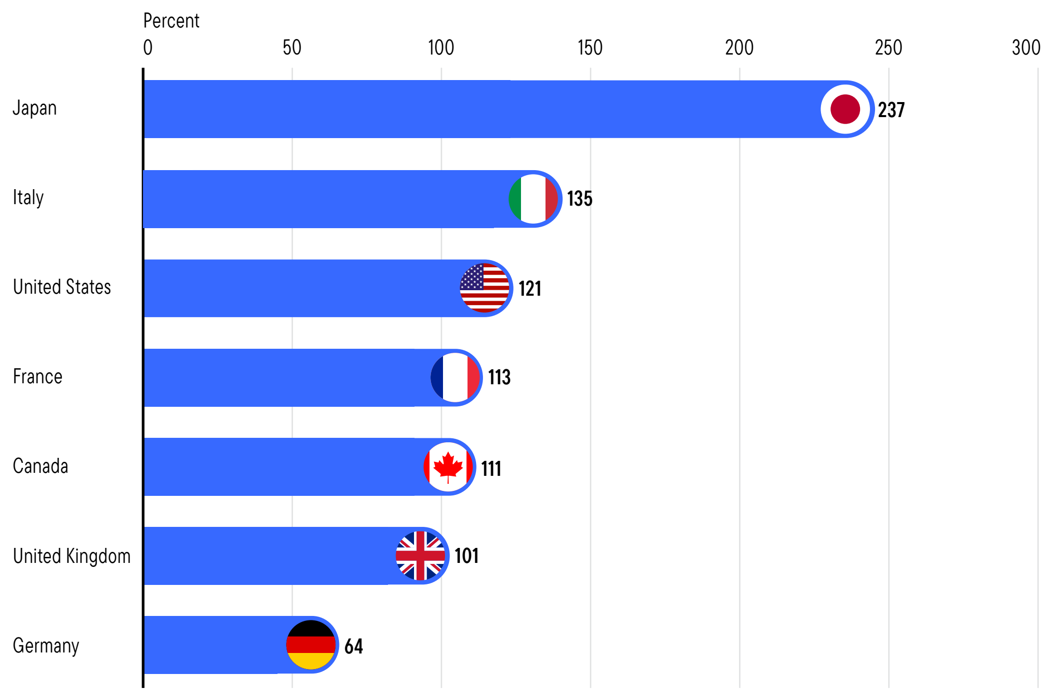
From Volcker to Powell,[7] this struggle incorporates economic debate but now also involves the creation of a new, conspicuous political bloc focused on the priorities of the senior population, which are typically inflation, health care, and law and order. In countries with already declining populations, fiscal incentives to try to boost fertility rates compete with a drive to change economic and social welfare policy, straining many sovereign finances to the breaking point.

The inflationary exit from COVID-19 deepened socioeconomic inequality worldwide, yet progressive taxation has not emerged. What has returned, however, is Big Government. The pandemic accelerated existing trends, especially disillusionment with democracies struggling under entrenched inequalities and the fiscal strain of massive 2020–2021 stimulus programs. These pressures now dominate economic policy debates.

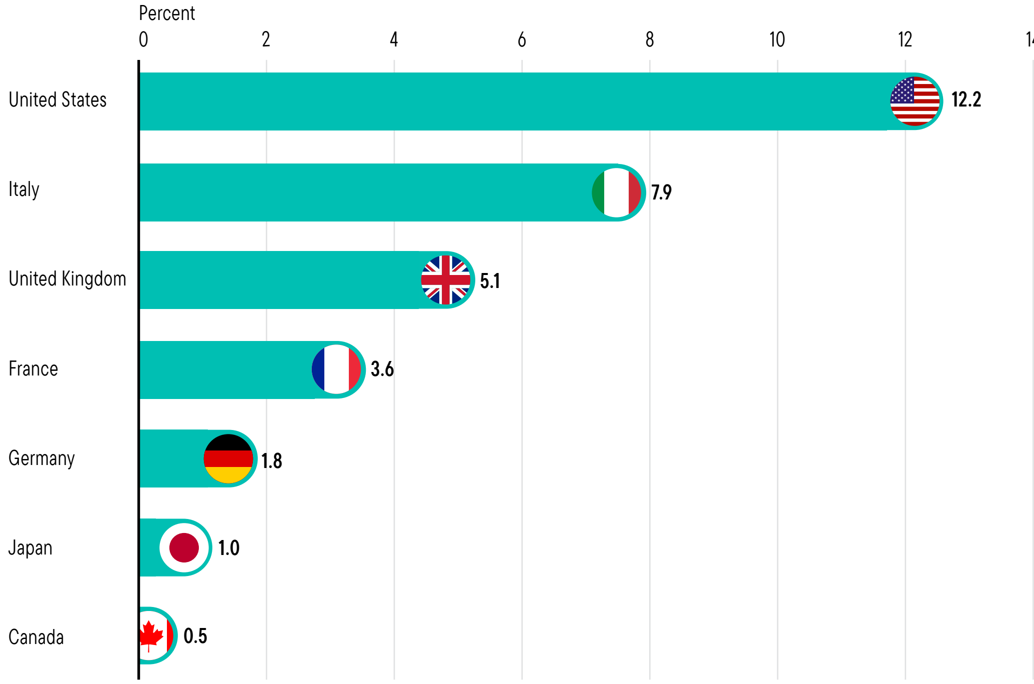
Global public debt continues to climb, unsettling investors. The key issue is no longer just debt levels or debt/GDP ratios, but affordability—how much government revenue goes toward servicing debt. This gives developed economies a structural edge.

Exhibit 3: The Question of Debt—G7 Countries as of 2024

Public Debt as Percentage of GDP



Interest Payment as Percentage of Government Revenue

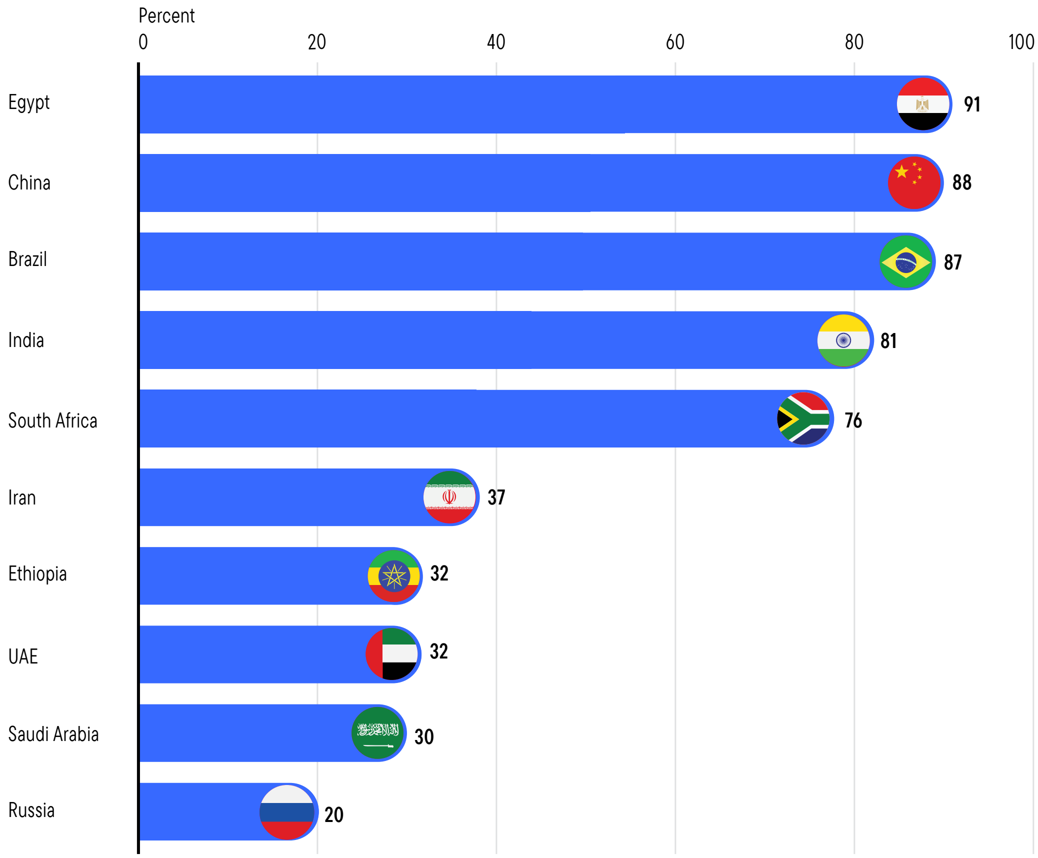


Sources: IMF, United Nations Global Crisis Response Group (UN GCRG). Analysis by Franklin Templeton Institute. Interest payments on general government debt as a percentage of government revenues. The interest payments calculated as the difference between the total fiscal balance and the primary fiscal balance. The IMF provides the forecast for total fiscal balance, primary fiscal balance and the revenues in its World Economic Outlook. Public debt refers to general government domestic and external debt. General government consists of central, state and local governments and the social security funds controlled by these units.

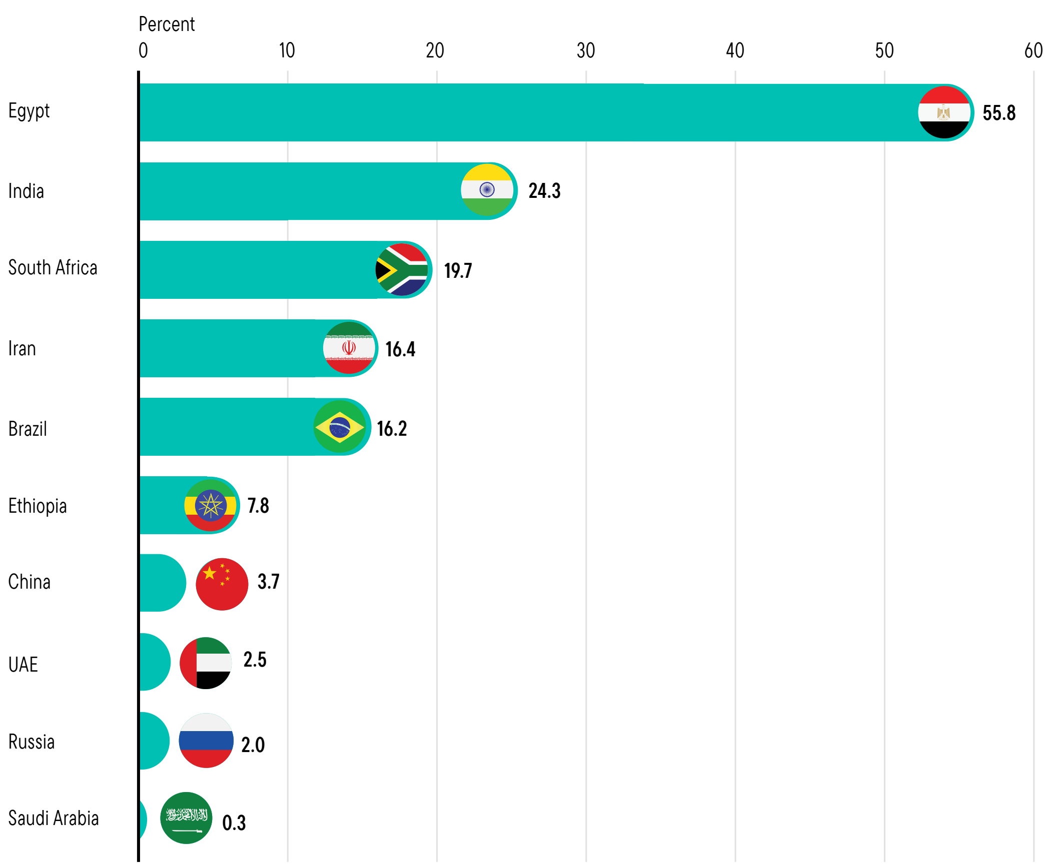
Japan remains an outlier, financing its large sovereign debt through domestic savings. The United States benefits from dollar dominance and investor demand, although the growing deficit inevitably increases the cost of its debt, currently at 12% of government revenues. In contrast, countries like Egypt (91% debt/GDP, 55% of revenues to debt service) and India (81% debt/GDP, 24% of revenues)[8] face mounting burdens. For poorer nations, debt write-offs are out of reach. Everywhere, low interest rates are essential, especially as older voters resist repayment. Meanwhile, governments increasingly position themselves as economic problem-solvers, fuelling debate over the rise of European-style social market economics over orthodox neo-classical models. See *Deep waves: The sovereign debt wave—an existential threat*.

Exhibit 4: The Question of Debt—BRICS+ Countries as of 2024

Public Debt as Percentage of GDP



Interest Payment as Percentage of Government Revenue



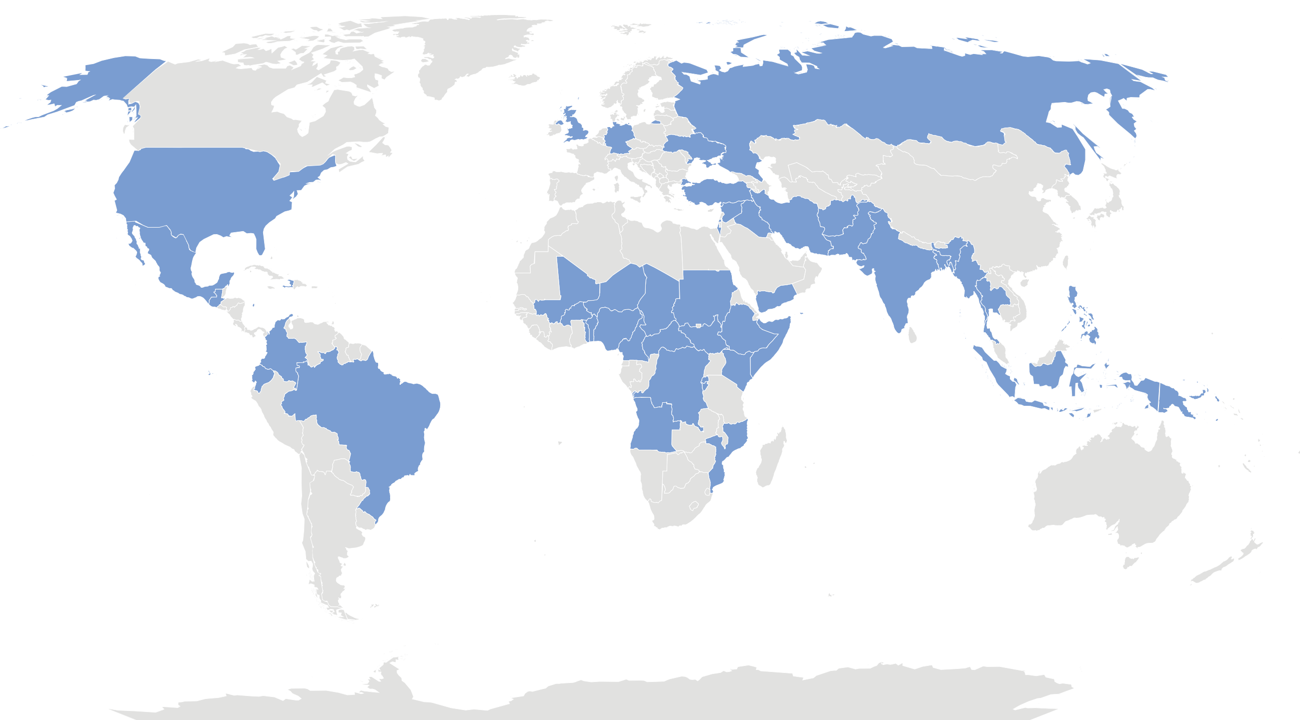
Sources: IMF, United Nations Global Crisis Response Group (UN GCRG). Analysis by Franklin Templeton Institute. Interest payments on general government debt as a percentage of government revenues. Interest payments have been calculated as a difference between the total fiscal balance and the primary fiscal balance. The IMF provides the forecast for total fiscal balance, primary fiscal balance and the revenues in its World Economic Outlook. Public debt refers to general government domestic and external debt. General government consists of central, state and local governments and the social security funds controlled by these units.

Signposts: Investors should monitor the wave of debt issuance from governments around the world. Positive for fixed income investors, as the issuers will have to compete for investors' attention. With Germany and the European Union (EU) becoming significant issuers, the implication must be that there is a reordering of the relative attractions of issuers, with resulting pressure to raise yields, particularly for issuers who are not top choice.

The geopolitical wave

***Great Game*[9] geopolitics has already created the 'geoeconomic' prerogative, which is set to increase its influence on investment outcomes over the next decade. This is the downside of multipolarity, as economic logic is superseded by geoeconomic logic. In this environment, opportunistic 'middle powers' try to take advantage to settle historic grievances or simply expand their zone of influence.**

Exhibit 5: The End of History, 35 Years Later—Countries with Armed Conflicts[10]



Note: The shaded areas mark countries where at least one armed conflict event occurred in 2024. A violent conflict refers to organized violence causing at least 25 deaths within a year. It may occur between organized groups, between an organized group and civilians, or involve a government as one of the actors. Both combatant and civilian deaths from fighting are included. Source: Uppsala Conflict Data Program (2025). Analysis by Franklin Templeton Institute.

Increasingly, confrontation between a variety of regional actors (Israel and Iran, Russia and Ukraine, China and the countries surrounding the South China Sea, Venezuela and Guyana, Azerbaijan and Armenia) have displaced the adversarial relationship between the United States and China from the headlines, for now.

Unless they reach an accommodation, the 'social distancing' underway between the giants of global growth now appears irreversible, and it will set parameters for investment in most sectors. Technology is clearly the immediate and most intense battleground. Fossil fuels and green energy, critical minerals, metals and ores, and even aspects of financial services will all be impacted by increasing government involvement on national security grounds as the great powers jockey for position. Uncertainty around the willingness of the United States to come to an ally's aid is forcing Europe and others to draw up self-sufficiency plans and to prioritise the development of alternative, regional alliances.

The wars in Ukraine and the Middle East have demonstrated the importance of innovation and tactical experimentation, as well as the promise of technological superiority in warfare. As a result, the big spenders in defence will be the Europeans, who will radically change the architecture of their defence industrial bases to prioritize economic efficiency and reliability of supply in the face of their likely threat, whose doctrine is based on achieving superiority via volume and wide-ranging asymmetric warfare.

There is a significant and growing universe of companies that do not produce weaponry but will likely benefit from the enormous waves of investment over the next decades. Investors can achieve exposure to some of the highest-priority defence spending by investing in the dual-use technologies which reflect the real transformation of the 'new' defence industry. These are priorities because they cover asymmetric warfare, which most militaries are unprepared for. They include cybersecurity, low Earth-orbit satellite communications, complex platforms to collect and parse information from multiple sensors across domains, unmanned drones for air, surface and underwater surveillance, reconnaissance and mine clearing, to name only a few.

As the increased investment in defence prepares for modern asymmetric warfare, so does investment in military research and development (R&D). This trend means that these capabilities will develop faster, resulting in innovations that can easily transfer to civilian applications. Further along the line, they may find their way into a variety of economic sectors, driving productivity longer term.

Signposts: Investors should monitor the wave of defence investment and its corresponding debt financing, especially in Europe, where the sense of urgency is highest and the political will to address structural shortcomings appears real. There are exciting opportunities in the new definition of Defence, Security and Resilience. See *Deep waves: The paradoxical trinity of defence*.

Investors can also monitor the development of an ecosystem of dual-purpose technology, which is based on reaching mass production quickly and cost-effectively. Defence deterrents will focus on solutions that can be economically efficient, as well as lethal. Watch also for moves to recalibrate global supply chains as covered in our recent paper, *Consider This: The Weaponisation of supply chains.*

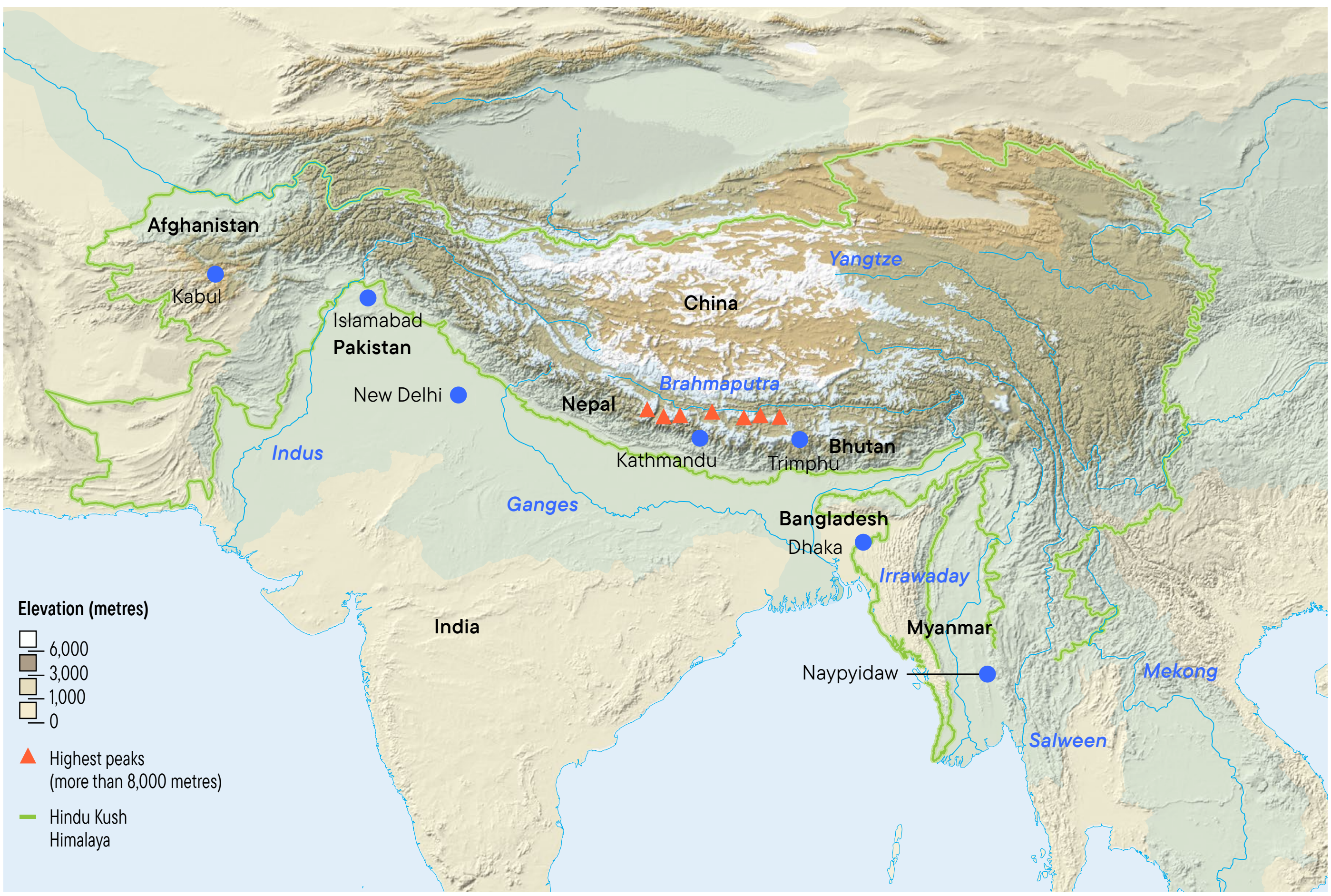
The climate change wave

Climate change is still real, but environmental, social and governance (ESG) investing is severely constrained (at least in the biggest capital markets). Longer term, that may cause a major ecological setback, but in the short term it is probably a benefit for return on equity.

Climate change will increasingly exacerbate border tensions, threaten agricultural production and heighten social stresses in many regions. This process also heightens the existing divide within countries, such as between rural and urban populations, and between coal-producing regions and solar-energy regions.

In many developing countries, rapid population growth and limited local institutions present major challenges. Even before the COVID-19 pandemic, these nations struggled to provide basic services like food, education and health care. Now, rising poverty, unemployment and inequality risk sparking unrest, while job losses from automation and global supply-chain shifts threaten livelihoods. Environmental pressures, such as water shortages and heatwaves, are pushing more people into cities. The UN's multilateral agencies can assist, provided wealthy countries deliver on existing funding commitments to help prevent severe consequences. See *Deep Waves: The nexus of climate change and geopolitics.*

Exhibit 6: The Hindu Kush Himalayan Region: The Source of 10 Major Asian River Basins[11]



Global warming is having a severe impact on the volume of snow and ice. In turn, the reduced volume has significant implications for downstream water availability, as most annual flows into the rivers are contributed by seasonal snow and glacier melting. Water from the Hindu Kush is critical for 2 billion downstream in 7 countries.

Sources: ICIMOD, Hindu Kush Himalayan Region; Shresta, AB et al, 2015, The Himalayan Climate and Water Atlas: Impacts on climate change on water resources in five of Asia's river basins, ICIMOD, GRID—Arendal and CICERO.

Companies that are demonstrably good operators and especially good corporate citizens are already developing a valuation premium over their peers, as the definition of 'quality' in investment terms widens.

Companies face mounting pressures across all fronts—from competing for talent, adapting to manage a multigenerational workforce with a wider variety of needs, investing in technology, meeting sustainability standards and dealing with stricter regulations amid climate change and geopolitical tensions. Boards and executives will need deeper knowledge and broader expertise to succeed. The traditional distinction between developed and emerging markets is becoming less relevant, as local factors prevail and management quality—demonstrated by operational excellence and corporate responsibility—becomes increasingly important for meeting rising investor expectations.

Deep water waves conclusion

Deep water waves are in constant motion and have created new patterns and crosscurrents, resulting in the dominance of geopolitical considerations. Investors must recognise that they are now operating in an environment where geoeconomic logic has superseded traditional economic logic. This means there are non-economic priorities that take precedence over the concept of economic efficiency and naturally the valuation tools we have used for the last 50 years or so are no longer sufficient. There needs to be an acceptance that policy direction will inevitably be interventionist, and this will call for a deeper knowledge of structural strengths and vulnerabilities of investee countries.

The United States, EU and China are the main global economic powers, representing 26%, 17% and 16% of the world economy.[12] Each works to protect its economic interests: The United States is less reliant on trade but is a top importer, China leads in exports and needs foreign markets, and the EU is the largest consumer market, setting many global standards while depending heavily on intra-bloc trade. Increasing interventionist policies make investing more complex. Asset allocation strategies may need to adapt by redefining quality (e.g., including ESG factors), seeking income and diversification globally and using alternative assets. New incentives around retirement savings and health care have become essential, in view of the future liabilities generated by ageing populations.

Economic polarisation between nations and regions will increase. Many middle- and low-income countries will face declining foreign direct investment, rising unemployment from supply-chain shifts and automation and trade barriers that limit access to major markets. Educational shortcomings further hinder economic adaptation, highlighting opportunities for investment in education, online services and broadband infrastructure. Local governments, often lacking funds and expertise, will likely need to partner with entities like the IFC and World Bank. China continues to exert influence through vaccine and infrastructure diplomacy, especially in technology and communications. For many countries, this is beneficial. Domestically, governments are incentivising investment in disadvantaged regions and directing credit decisions, meaning investors should recognise that political motives may outweigh traditional return criteria.

In a multi-polar world, scale is a strategic advantage. Economic heft and societal resilience are now core elements of national security, shaping a country's capacity to withstand external shocks and geopolitical stress. As a result, the strategic value of membership in trade, economic and defence alliances, such as the EU, CPTPP or ASEAN, has risen markedly.

For institutional investors, this evolving landscape calls for a reassessment of established approaches to country risk. Traditional models that emphasise fiscal or monetary stability alone may no longer capture the full spectrum of resilience. Integrating geopolitical alignment and collective security networks into risk-premium calculations could offer a more accurate reflection of long-term investment risk and opportunity.

Deep Waves

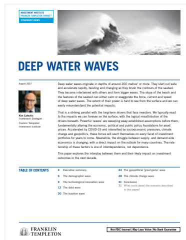
Click an article to read more

Powerful “waves” are sweeping away established assumptions, fundamentally altering the economic, political and public policy foundations for asset prices. Join the discussion with our strategists and explore the interplay between the long-term drivers that face investors over the coming decade.

August 2021

Introduction: Long-term drivers that face investors

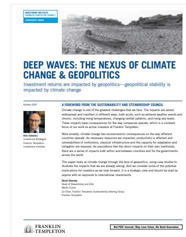
Discover several powerful, connected, and long-duration factors that will have a significant impact on investment returns over the next decades.



October 2021

The nexus of climate change and geopolitics

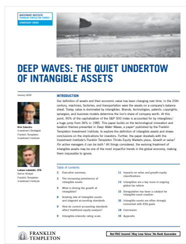
Examine climate change through the lens of geopolitics, with case studies on India, Syria and the Danube River basin and consider potential implications for investors.



January 2022

The quiet undertow of intangible assets

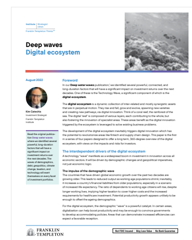
The rise of intangible assets has distorted the difference between value and growth investing. Join our exploration of the definition of intangible assets and identify implications for investors.



August 2022

Digital ecosystems

The digital ecosystem is a powerful catalyst for wide-ranging innovation, but it is not easy to explore. Find out how to navigate the digital reef.



June 2023

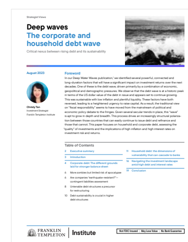
The sovereign debt wave—an existential threat

The population of workers in mostly high-income countries are shrinking while social costs increase. We examine the drivers of these changes and offer conclusions on their investment implications.

August 2023

The corporate and household debt wave

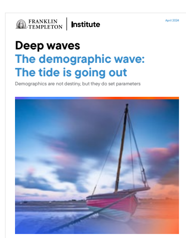
As we depart from the zero-rate world into the realm of structurally tighter financial conditions, we focus on household and corporate debt and assessing the “quality” of investments.



April 2024

The demographic wave—the tide is going out

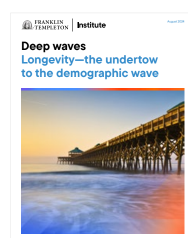
Demographics are a driver of country risk for investors, and they can impact productivity, economic growth, sovereign financials and debt ratings. Demographics are not destiny, but they do set parameters.



August 2024

Longevity—the undertow to the demographic wave

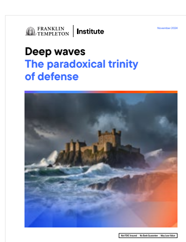
Financial services firms can develop longer client relationships by placing extra emphasis on building trust with aging investors.



November 2024

The paradoxical trinity of defense

Franklin Templeton Institute’s Kim Catechis explores the impact of the “geopolitical wave” on the markets and the global economy—and why it can create a dilemma for investors.



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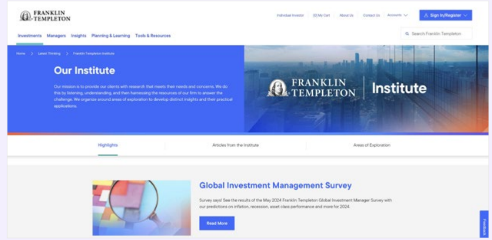

Endnotes

1. Source: “What is the deep ocean?” US National Oceanic and Atmospheric Administration. oceantoday.noaa.gov (undated).
2. Source: “Deep Water Waves.” Franklin Templeton Institute. August 16, 2021.
3. Source: Annualized real global GDP growth from 2000–2024. International Monetary Fund (IMF), World Economic Outlook Database. April 2025.
4. Source: U.S. Employee Benefits Trends Study. MetLife. 2025.
5. ‘In some countries, immigration accounted for all population growth between 2000 and 2020.’ PEW Research Center, Migration Issues. July 8, 2024.
6. Source: Generative AI and Jobs: A Refined Global Index of Occupational Exposure. International Labour Organization. 20 May 2025. Note: Impacted jobs data labels consider the jobs in gradient 1 to 4. Exposed: Gradient 4 (Highest Exposure, Low Task Variability); high and consistent GenAI exposure across tasks within the occupation. Most current tasks in these jobs have a high potential of automation, with little variability in task-level exposure. Exposed: Gradient 3 (Significant Exposure, High Task Variability): above-moderate occupational exposure; even though some tasks remain less exposed, the overall potential of automation of the current tasks with GenAI is growing in these occupations. Exposed: Gradient 2 (Moderate Exposure, Mixed Task Variability): Moderate occupational AI exposure, with high task-level variability. These occupations include a mix of some tasks that are exposed to GenAI and others not at risk, making the impact uneven. Exposed: Gradient 1 (Low Exposure, High Task Variability): low overall GenAI exposure at the occupational level, but high variability across tasks. Some tasks within these occupations have an elevated automation potential, even if the occupation as a whole remains strongly reliant on tasks that have a low potential of automation. Minimal Exposure (Low Exposure, Moderate Task Variability): occupations with low GenAI exposure, where some tasks show moderate automation potential, but overall occupational exposure remains limited. Not Exposed: occupations where most tasks remain relatively unaffected by GenAI, with low task variability and a stable low mean exposure score. List of the occupations by exposure gradient is available in the report in the link.
7. Paul Volcker was the twelfth Chair of the Federal Reserve. Jerome Powell is the sixteenth Chair, and his term ends in 2026. The two men are often referred to as personifying two schools of monetary policy—Volcker is remembered as waging war on inflation, while Powell has been more relaxed, focusing instead on unemployment.
8. Sources: IMF, United Nations Global Crisis Response Group (UN GCRG). Analysis by Franklin Templeton Institute. Interest payments on general government debt as a percentage of government revenues. The interest payment calculation is the difference between the total fiscal balance and the primary fiscal balance. The IMF provides the forecast for total fiscal balance, primary fiscal balance and the revenues in its World Economic Outlook. Public debt refers to general government domestic and external debt. General government consists of central, state and local governments and the social security funds controlled by these units.
9. This term refers to the nineteenth century struggle between Great Britain and Russia to try to fill the vacuum created by the political decay of Islamic Asia. The Russians refer to it as Bolshaya Igra. It started from Constantinople (now Istanbul) and ranged to Persia (Iran), Afghanistan and the rest of Central Asia.
10. Source: Uppsala Conflict Data Program (2025). Analysis by Franklin Templeton Institute. A violent conflict refers to organized violence causing at least 25 deaths within a year. It may occur between organized groups, between an organized group and civilians, or involve a government as one of the actors. Both combatant and civilian deaths from fighting are included.
11. Source: ICIMOD, Hindu Kush Himalayan Region, Shresta, AB et al. The Himalayan Climate and Water Atlas: Impacts of climate change on water resources in five of Asia’s river basins, ICIMOD, GRID—Arendal and CICERO. 2015.
12. Source: World Bank. Data as of end 2024, accessed July 3, 2025.

WHAT ARE THE RISKS?
All investments involve risks, including possible loss of principal.

Equity securities are subject to price fluctuation and possible loss of principal.

International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets.**

The government's participation in the economy is still high and, therefore, investments in **China** will be subject to larger regulatory risk levels compared to many other countries.

There are special risks associated with investments in **China, Hong Kong and Taiwan**, including less liquidity, expropriation, confiscatory taxation, international trade tensions, nationalization, and exchange control regulations and rapid inflation, all of which can negatively impact the fund. Investments in Hong Kong and Taiwan could be adversely affected by its political and economic relationship with China.

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