

# Emerging Markets

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# What Are Emerging Markets?

# What Is an Emerging Market?

A country that is transitioning from a low income, often pre-industrial economy toward a modern industrial economy with higher standard of living.

Source: Investopedia

# Different Index Provider Definitions

## MSCI

- China: 24%
- Korea: 12%
- India: 20%
- Taiwan: 19%
- Malaysia: 2%
- Indonesia: 2%
- Thailand: 2%
- Philippines: 1%
- Brazil: 5%
- Mexico: 2%
- Chile: 0%
- Colombia: 0%
- Peru: 0%
- Poland: 1%
- Turkey: 1%
- Czech Rep.: 0%
- Greece: 1%
- Hungary: 0%
- UAE: 1%
- Qatar: 1%
- Egypt: 0%
- S. Arabia: 4%
- S. Africa: 3%
- Kuwait: 1%

## FTSE

- China: 27%
- India: 24%
- Taiwan: 20%
- Brazil: 5%
- S. Arabia: 5%
- S. Africa: 3%
- Mexico: 2%
- Malaysia: 2%
- Indonesia: 2%
- Thailand: 2%
- UAE: 2%
- Turkey: 1%
- Qatar: 1%
- Kuwait: 1%
- Philippines: 1%
- Greece: 1%
- Chile: 1%
- Hungary: 0%
- Romania: 0%
- Czech Rep.: 0%
- Colombia: 0%
- Iceland: 0%
- Egypt: 0%
- Pakistan: 0%

## JPM EMBI

- S. Arabia: 6%
- Mexico: 6%
- Turkey: 5%
- Indonesia: 5%
- UAE: 5%
- Qatar: 4%
- Brazil: 4%
- Philippines: 3%
- Poland: 3%
- Chile: 3%
- Dom. Rep. : 3%
- Oman: 3%
- China: 3%
- Colombia: 3%
- Peru: 3%
- Panama: 3%
- Egypt: 3%
- Bahrain: 3%
- Hungary: 3%
- S. Africa: 3%
- Romania: 3%
- Argentina: 2%
- Uruguay: 2%
- Nigeria: 2%
- Malaysia: 1%
- Ecuador: 1%
- Angola: 1%
- Costa Rica: 1%

Source: MSCI, FTSE and JPM. JPM data refers to the JPM EMBI Global Core Index as provided by <https://www.ishares.com/us/products/239572/ishares-jp-morgan-usd-emerging-markets-bond-etf>  
Data updated On September 1, 2024. Please see the end of this presentation for important disclosure information.

# BRICs and Its Expansion

## From an Investment Acronym to a Geopolitical Alignment Bloc

2001

BRIC term coined by Goldman Sachs Chief Economist, Jim O'Neill

2009

First official BRIC Summit.  
Original Members:

- Brazil
- Russia
- India
- China

2010

New BRIC members:

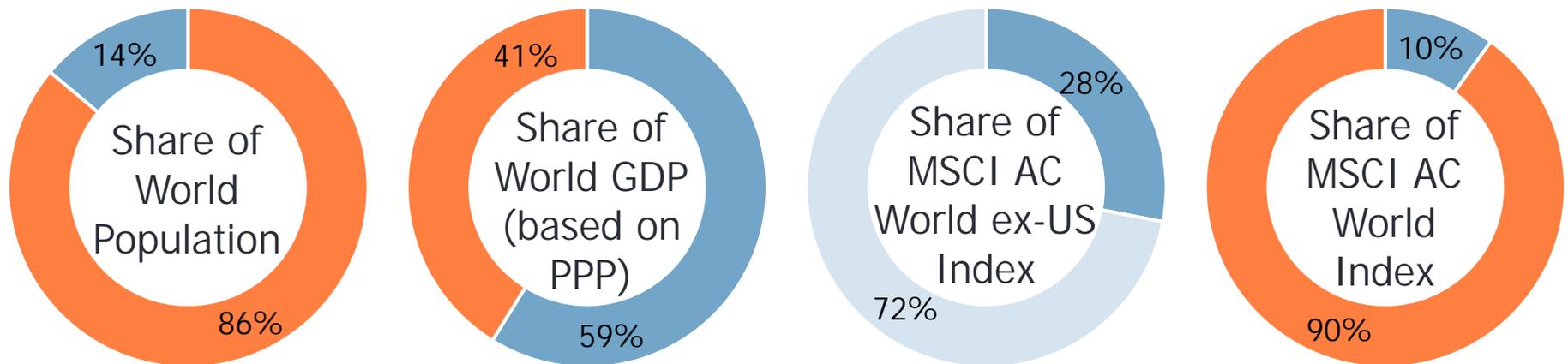
- South Africa

2024

New BRIC members:

- Egypt
- Ethiopia
- Iran
- UAE

# Why We Talk About Emerging Markets?



■ Emerging Markets ■ Developed Markets ■ Developed Markets ex-US

Source: IMF Datamapper April 2024 Estimates for population and GDP accessed as of September 2024. MSCI data as of August 31, 2024. Developed and Emerging Market country definitions based on MSCI classifications for Share of MSCI AC World Index and based on IMF for Population and Share of Global GDP. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

## Polling Question

How are You Currently Investing in Emerging Markets?

A. Part of Our Global Allocation

B. Part of Our International Allocation

C. Via a Dedicated Emerging Markets Allocation

D. No Allocation

# A Large and Complex Universe

# No Such Thing as One Emerging Markets

24

Emerging Market Countries

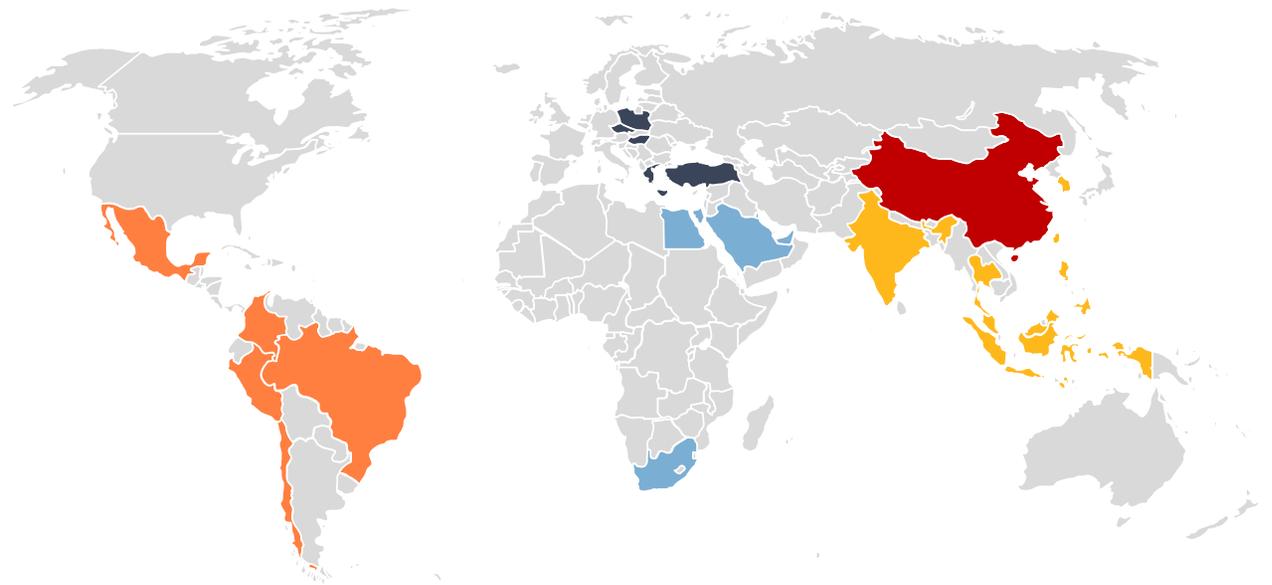
5

Continents

16

Emerging Market Languages

- Different economies
- Different politics
- Different market dynamics
- Different regulations
- Different types of transformations



Source: MSCI and Bloomberg. Data updated through July 31, 2024. Graphs are provided for illustrative purposes only and should not be relied upon to make an investment decision. Please see the end of this presentation for important disclosure information.

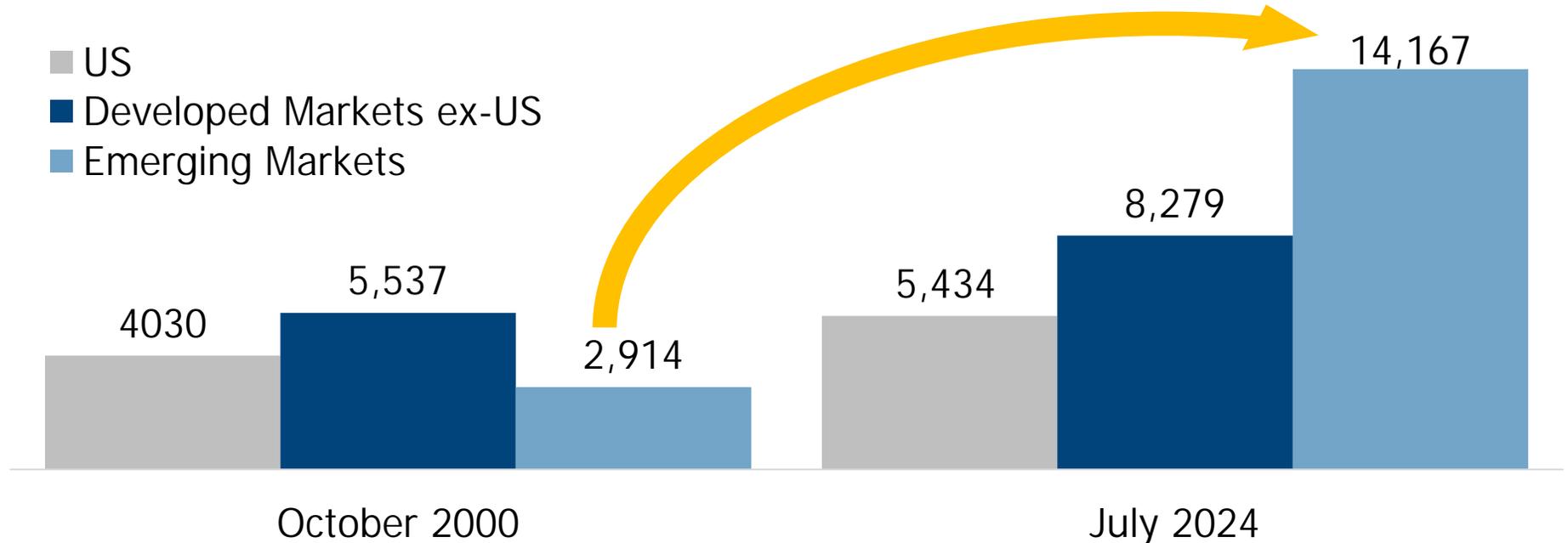
# A Diverse Collection of Countries

	Peru	Korea
Population (M people)	34.0	51.5
Political Stability Index (World Bank)	27.8%	51.9%
2023 GDP per capita (US\$ thousand)	7.9	33.2
Key Exports	Mining (Copper and Gold) and Agriculture	Integrated Circuits Cars and Car Parts
Largest Sectors in MSCI	Financials (53%) Materials (47%)	Technology (46%) Industrial (13%)
Number of Stocks	44 stocks in the universe 3 stocks in MSCI EM Index	1,377 in the universe 98 in MSCI EM Index
% of MSCI EM Index	0.30%	11.7%

Source: IMF Datamapper April 2024 IMF Estimates accessed as of September 2024. MSCI data as of August 31, 2024. All other data from MSCI and Bloomberg as of August 31, 2024. Number of stocks in the universe calculated using Bloomberg EQS screen that includes all stocks with market caps over \$100M as of July 31, 2024. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Large Universe

## Stock Universe: 2000 vs. 2024



Source of October 2000 Data: MSCI, FactSet as of October 31, 2000. Includes all stocks by country with market caps over \$100M as of 10/31/2000. Source of September 2023 Data: MSCI, Bloomberg. Data based on Bloomberg EQS screen that includes all stocks by country with market caps over \$100M as of July 31, 2024. Developed and Emerging Market country definitions based on MSCI classifications. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision. Past performance are not an indicator of future performance.

## Polling Question

Which Country or Region  
Had the Most IPOs over 2023?

A. United States

B. Europe

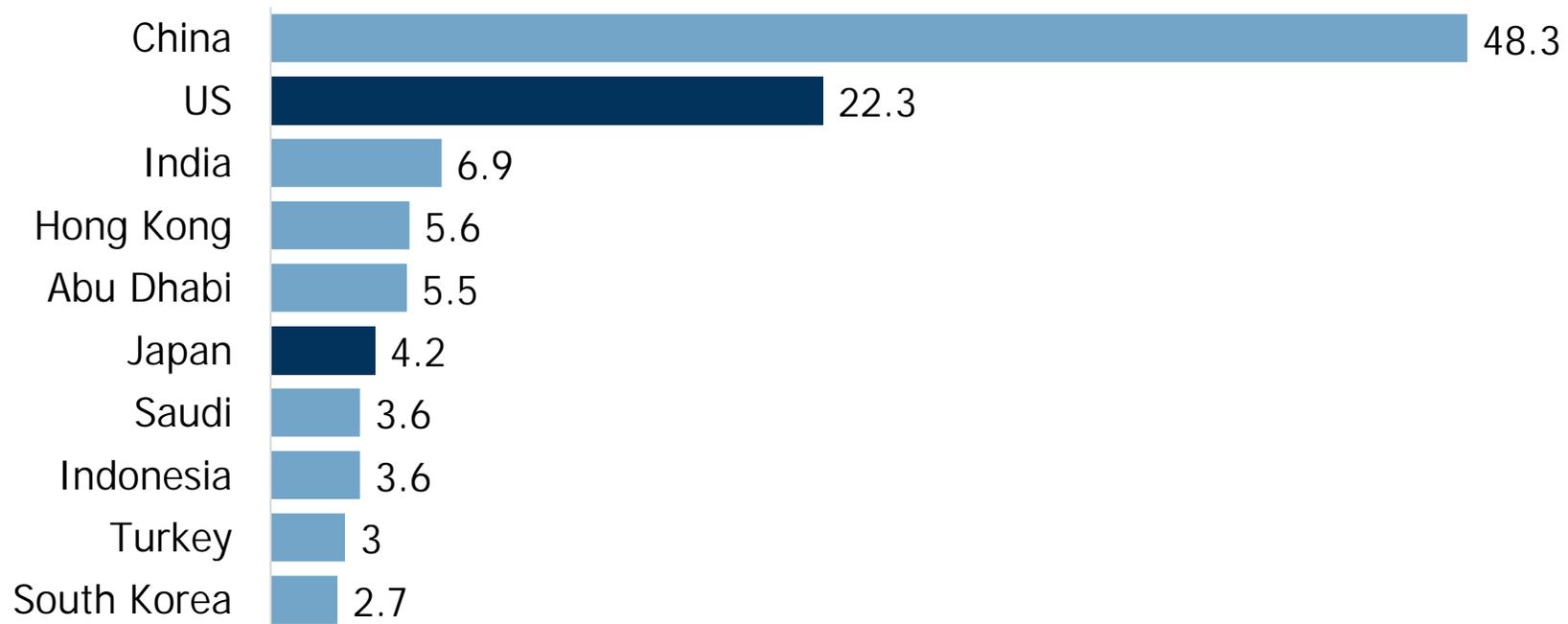
C. Middle East

D. China

E. India

# A Growing Universe

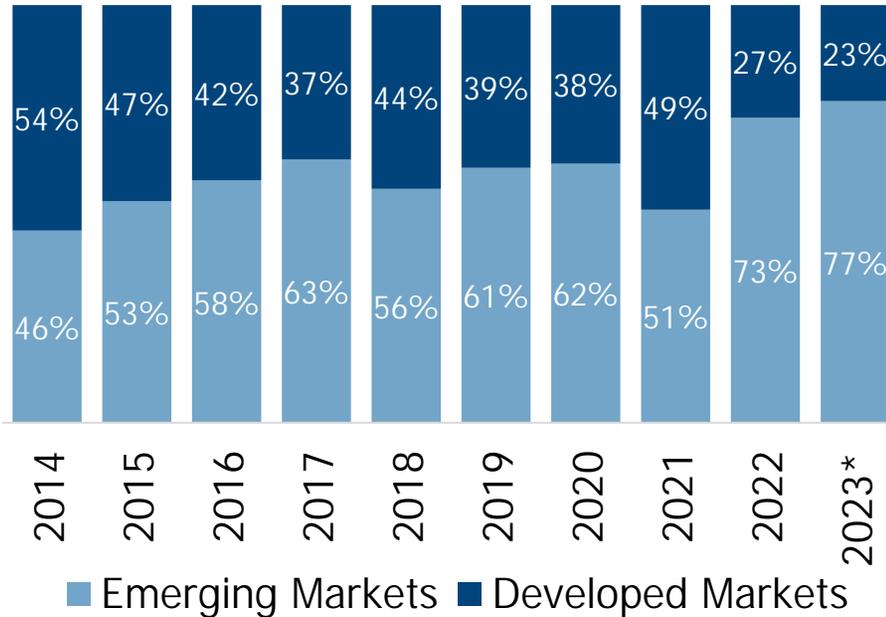
## 2023 IPO Proceeds (in Billion US Dollars)



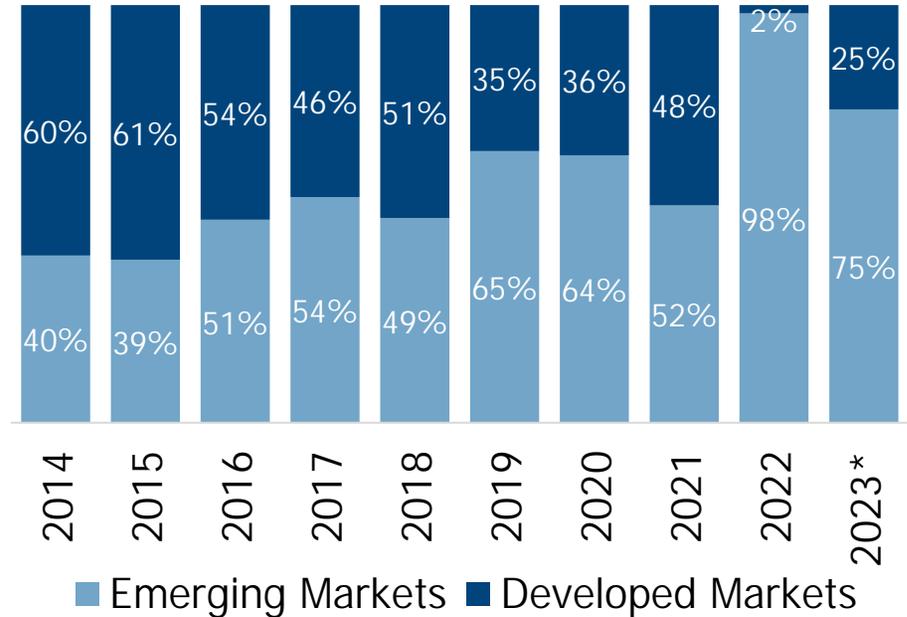
Source Published by Statista Research Department, Aug 28, 2024. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision. Past performance are not an indicator of future performance.

# A Growing Universe

## Number of IPOs (%)



## IPO Proceeds (%)



Source: EY analysis and Dealogic. All 2023 data is YTD of Q1-Q3 2023 and refers to the first 9 months of 2023 and covers completed IPOs from January 1 2023 to 18 September 18 2023 plus expected IPOs by September 30, 2023 (forecasted as of 18 September 2023) Graph is presented for illustrative purposes only and should not be relied on to make an investment decision. Past performance are not an indicator of future performance.

# Performance

# How Have EM Performed?

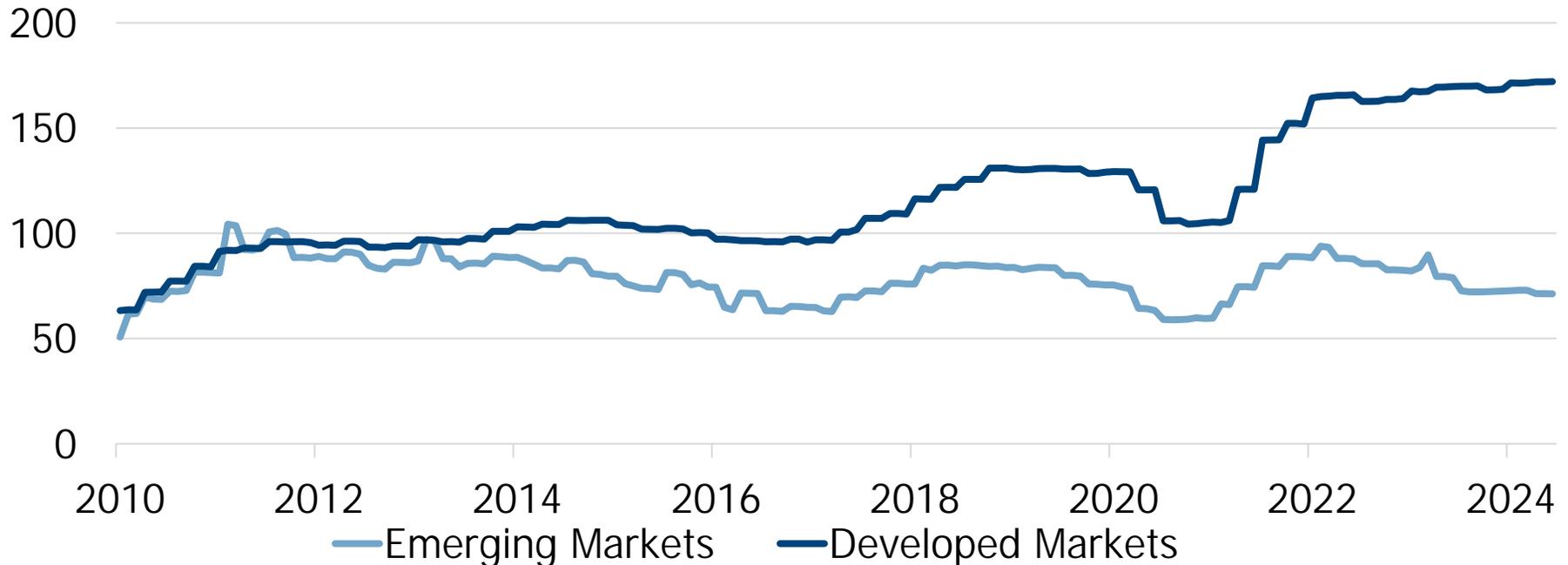
## Real GDP Growth (%)



Source: IMF Datamapper April 2024 Estimates for GDP accessed as of September 2024. MSCI data as of August 31, 2024.  
Developed and Emerging Market country definitions based on MSCI classifications for Share of MSCI AC World Index and based on IMF for Population and Share of Global GDP.  
Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# How Have EM Performed? Earnings

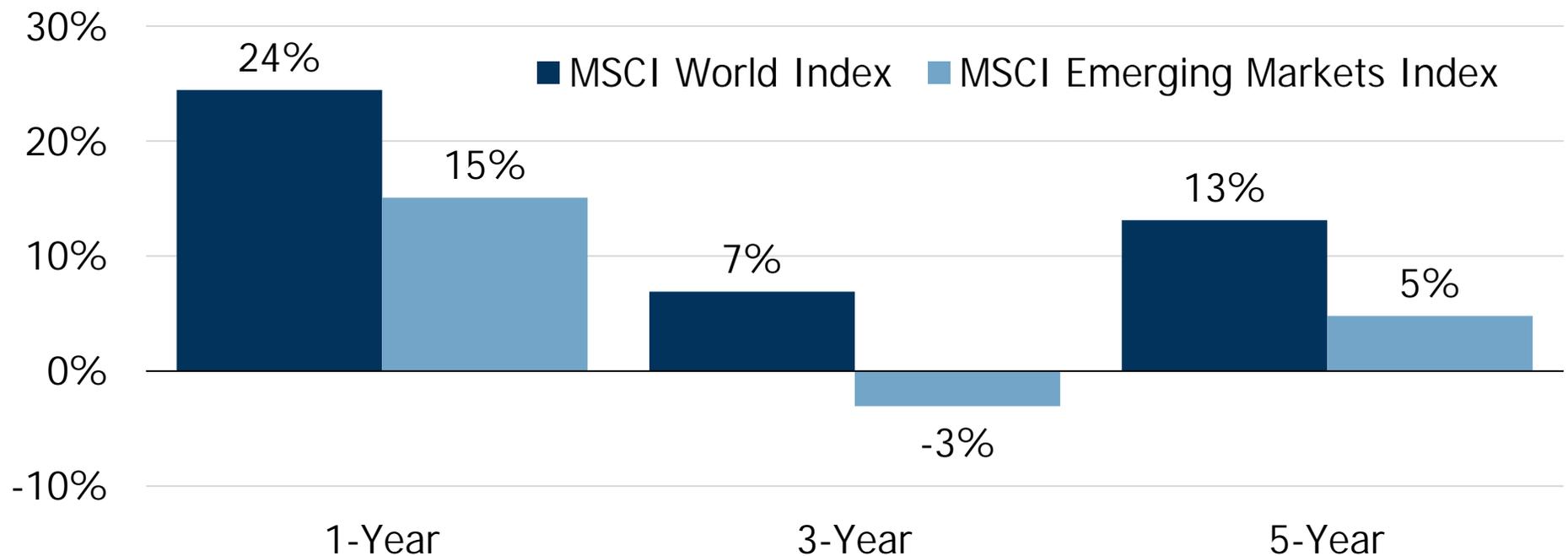
## 12 Month Trailing Earnings Per Share



Source: Bloomberg as of July 31, 2024. Emerging Markets data reflects MSCI Emerging Markets Index. Developed Markets data reflects MSCI World Index. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# How Have EM Performed?

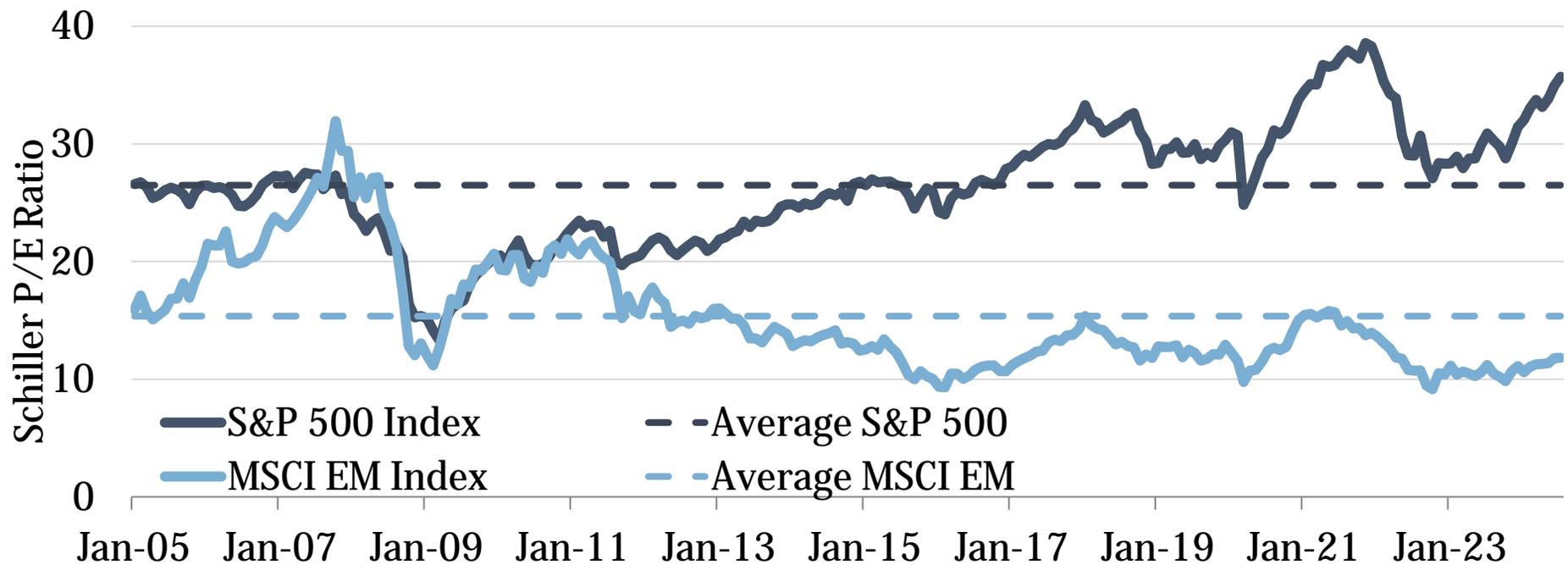
## Emerging vs. Developed Markets Performance



Source: Bloomberg and MSCI as of August 31, 2024. Past returns are not a guarantee of future results.  
Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Outlook Ahead: Valuations Are Attractive

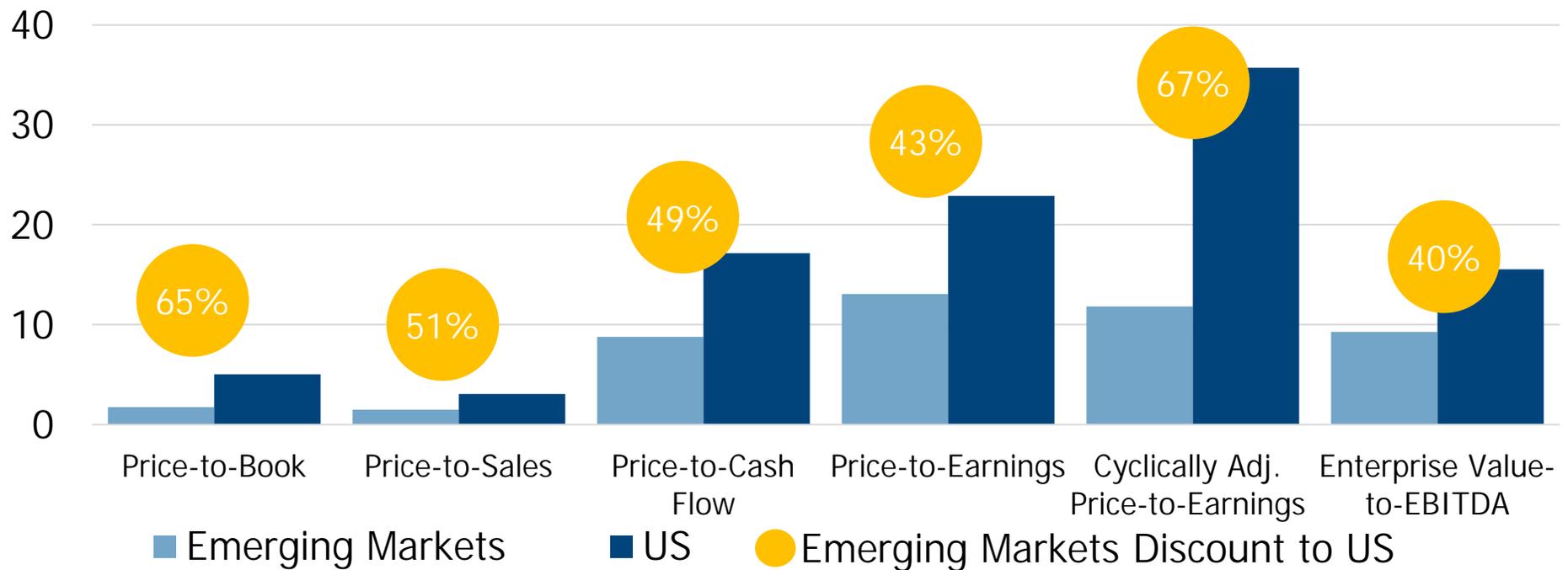
## Price to Earnings: Emerging Markets vs. US



Source: Bloomberg as of July 31 2024. Averages are calculated from Jan 2005–Jul 2024. Past performance is not an indicator of future performance. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

# Outlook Ahead: Valuations Are Attractive

## Cheap Across Multiple Valuation Metrics



Source: Bloomberg as of July 31, 2024. Emerging Markets data reflects MSCI Emerging Markets Index. Developed Markets data reflects MSCI World Index. Past performance is not an indicator of future performance. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

## Polling Question

Which Index Had the Best Performance Over the Last 1, 3 and 5 Years?

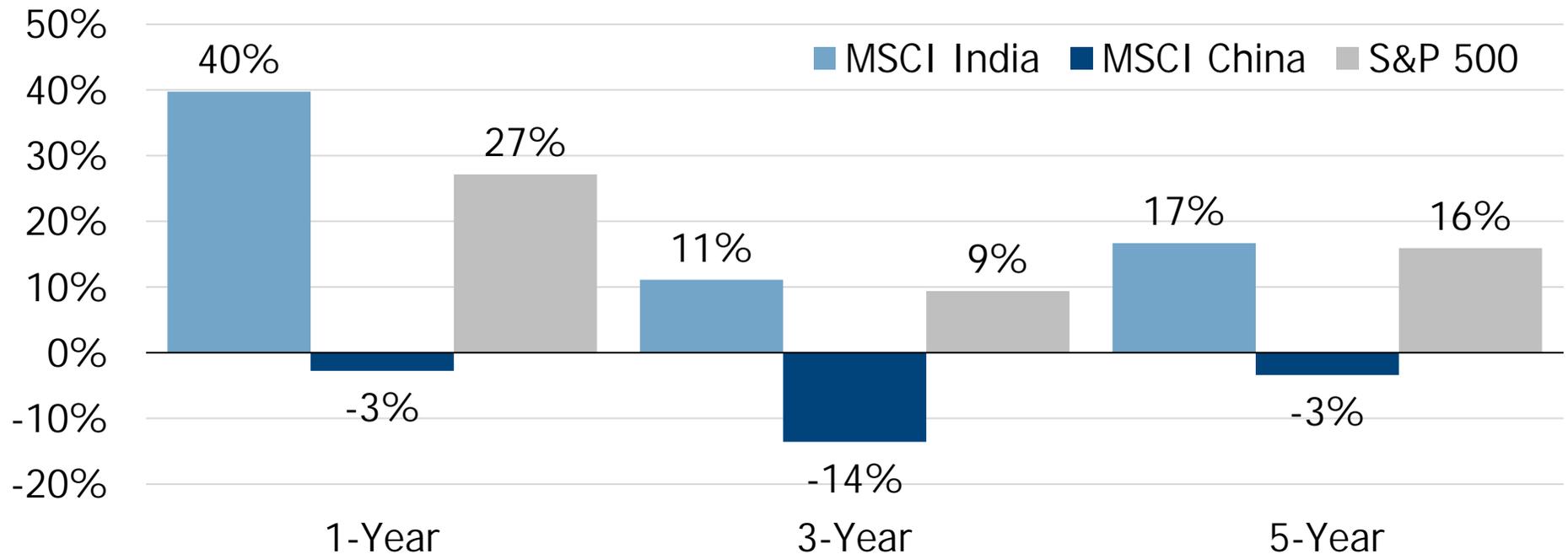
A. MSCI India

B. MSCI China

C. S&P 500

# How Have EM Performed?

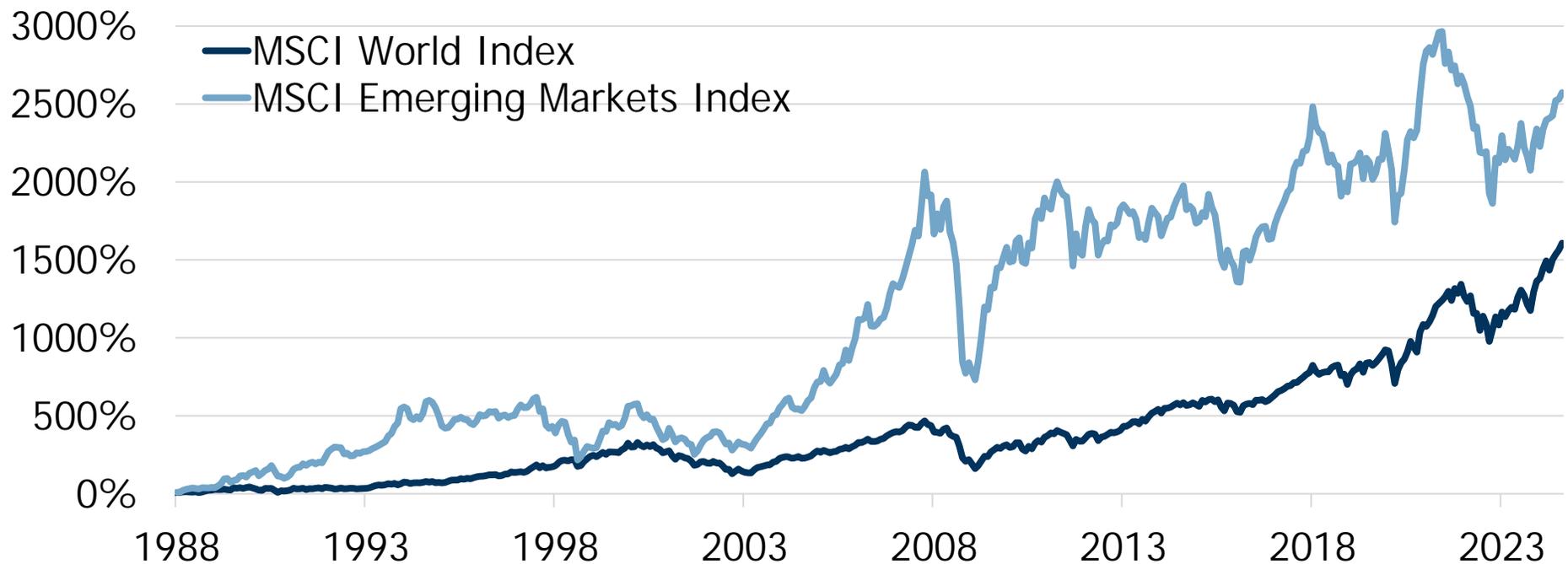
## Performance of Select Indices



Source: Bloomberg and MSCI as of August 31, 2024. Past returns are not a guarantee of future results.  
Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# How Have EM Performed? Long Term

## Emerging vs. Developed Market Performance



Source: Bloomberg and MSCI from January 1, 1988 to August 31, 2024. Past returns are not a guarantee of future results. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Emerging Markets: Now and Then

## Country Allocations: MSCI Emerging Markets



Source: Bloomberg and MSCI from September 1, 2024. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

## Polling Question

Should You Consider Investing in China?

A. Yes

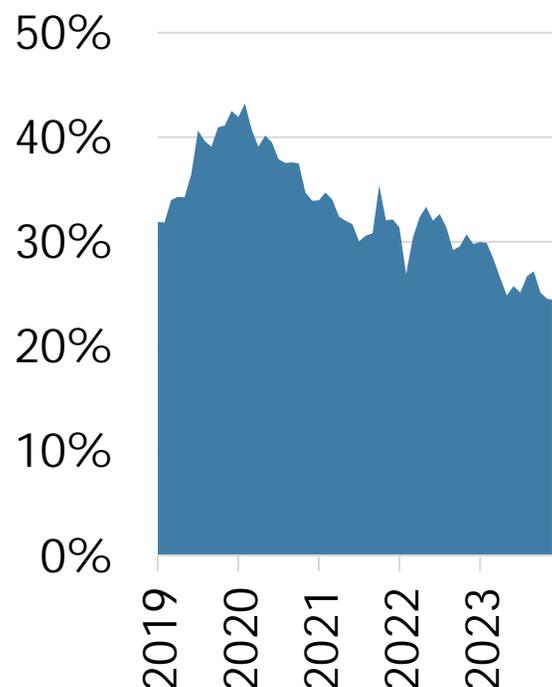
B. No

# China: The Good, The Bad and The Ugly

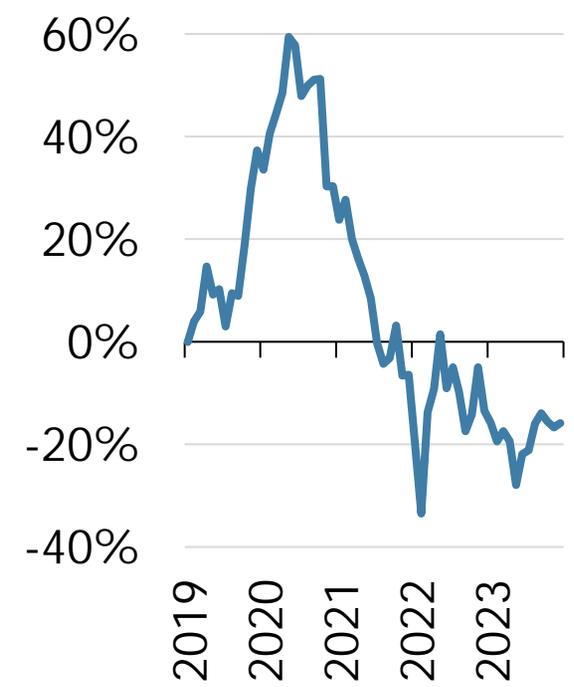
## Valuations (P/E)



## Share of MSCI EM



## Performance

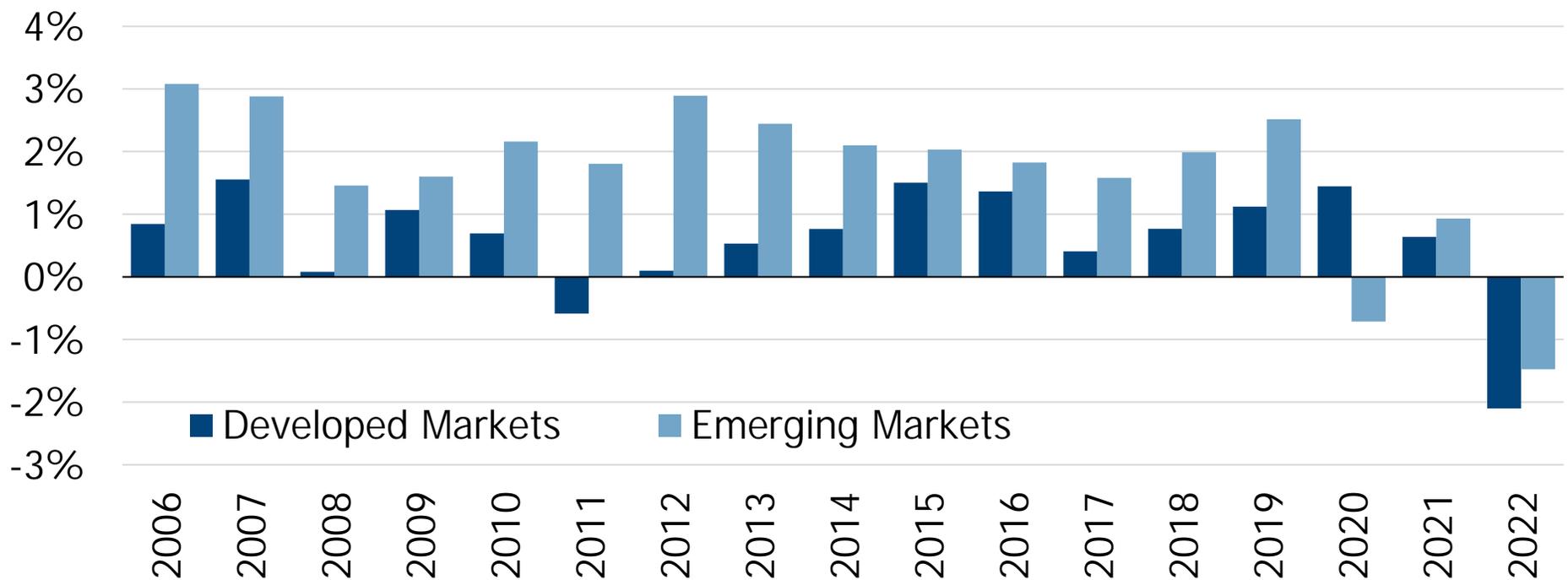


Source: Bloomberg and MSCI. All graphs are depicting data over the last 5 years as of August 31, 2024.  
Past returns are not a guarantee of future results. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Why Emerging Markets?

# Emerging Markets: Income Growth

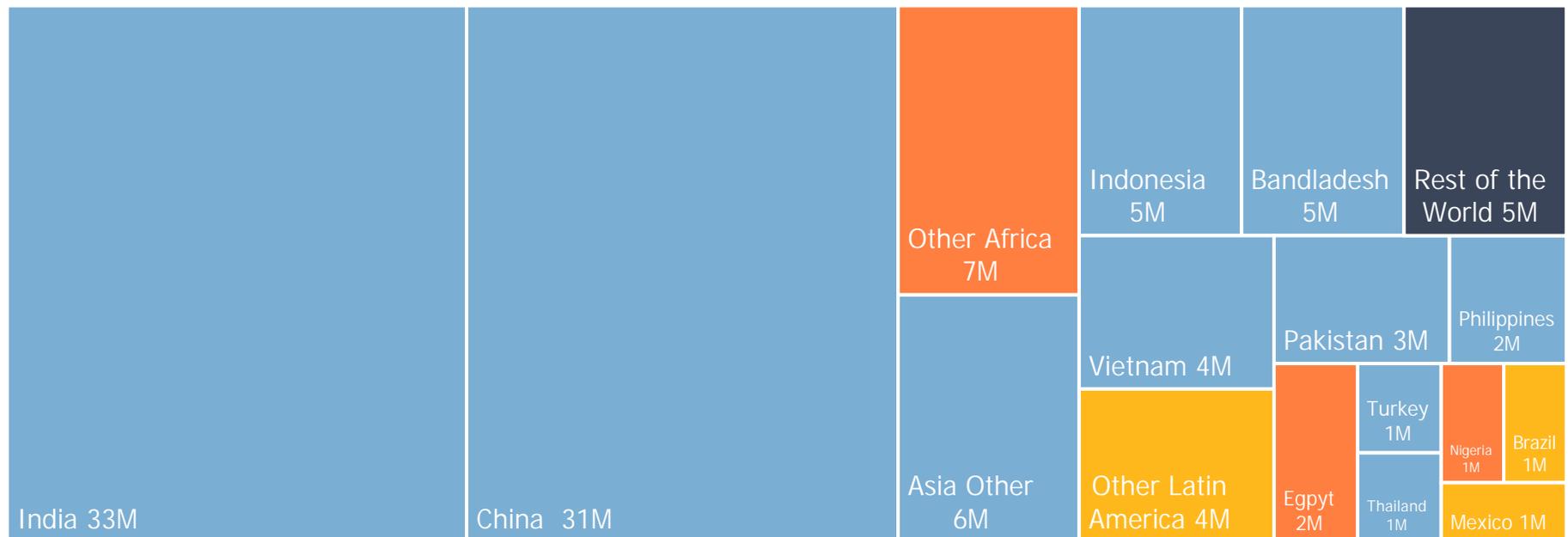
## Annual Average Real Wage Growth



Source: ILO Global Wage Report 2022- 2023. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Emerging Markets Drive Consumer Growth

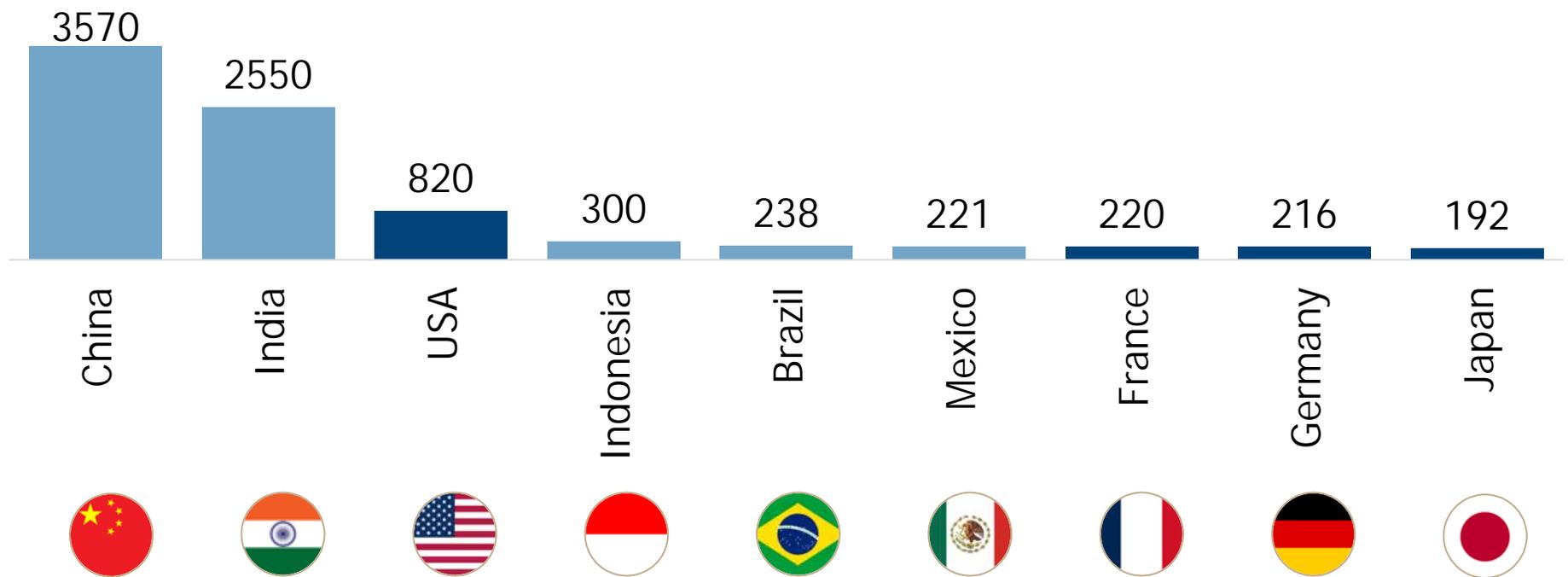
## Projected 2024 Consumer Class Growth



Source: World Data Lab and Visual Capitalist as of October 2023. <https://www.visualcapitalist.com/113-million-people-middle-class-2024/>.  
Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Emerging Markets: Education

## Most STEM Graduates (thousands)



Data as of 2020. Source: Center for Security and Emerging Technology (CSET). "The Global Distribution of STEM Graduates: Which Countries Lead the Way?" by Brendan Oliss, Cole McFaul and Jaret C. Riddick. Published on November 27, 2023. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Transformation From Drivers of the Past...

## Economic Drivers of the Past

Abundant reserves of oil, precious metals or other commodities



+

Cheap manufacturing hubs with affordable labor

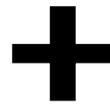


Produce domestically for sale abroad

# ...To Economic Drivers of Today

## Economic Drivers Today

Domestic Consumption



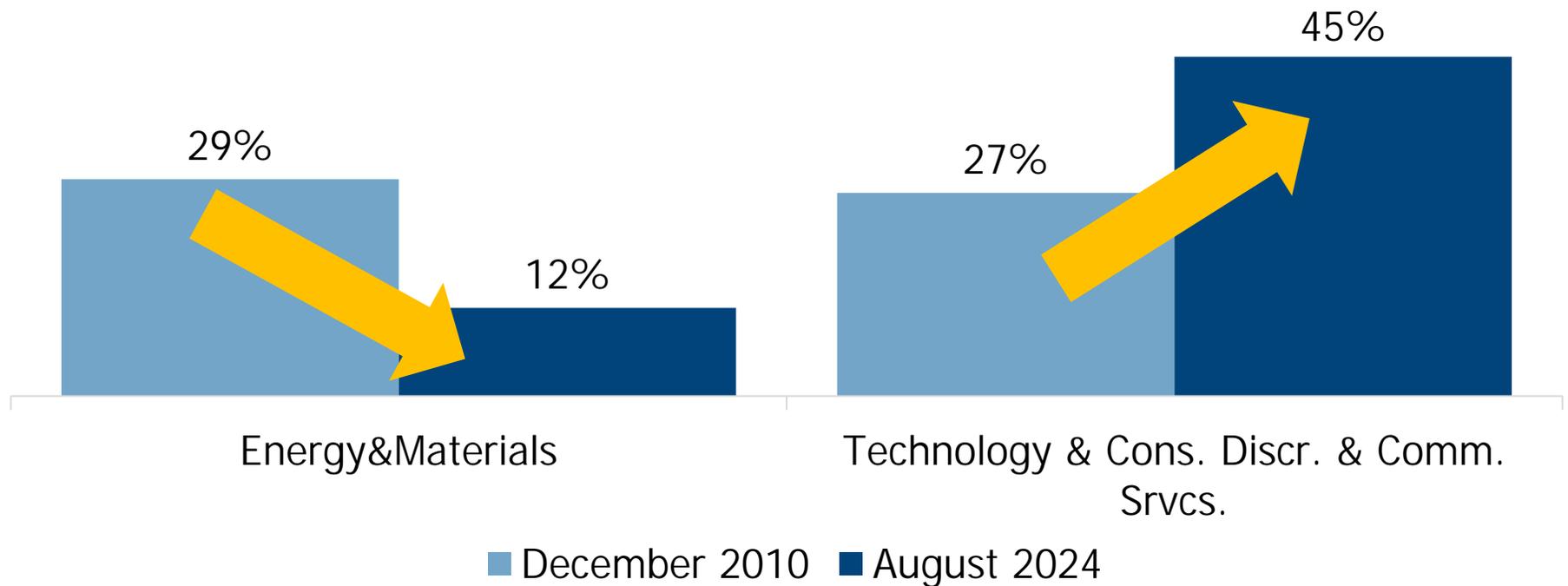
Technology



Produce domestically for sale abroad and domestically

# Market Leadership Has Also Changed

## Select Sectors of MSCI Emerging Markets



Source: Bloomberg and MSCI as of July 31, 2024. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision. Past performance are not an indicator of future performance.

# Key Risks

Financial

Economic

Political

Geopolitical

Other

# How to Access the Emerging Markets Opportunity?

# Different Investment Approaches

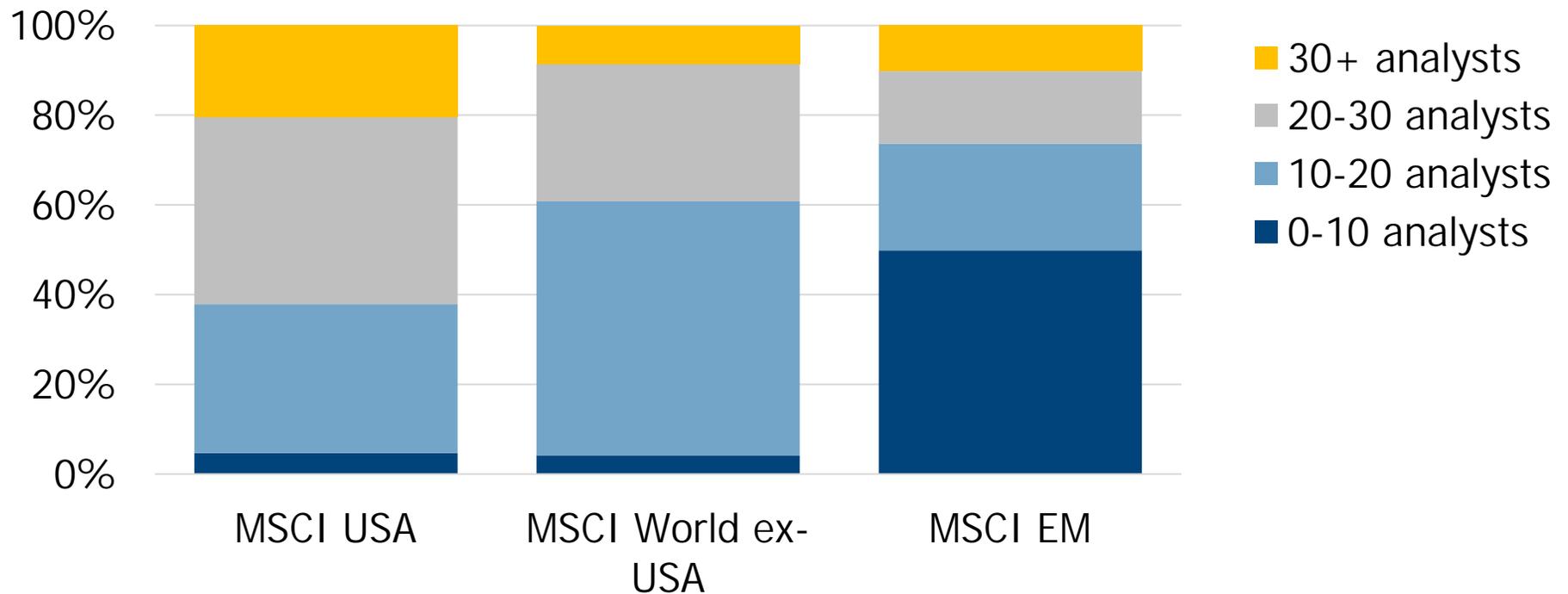
Passive  
or  
Active?

Fundamental  
or  
Systematic?

Global  
or  
Local?

# Inefficiency Creates Alpha Opportunities

## Analyst Coverage Per Stock

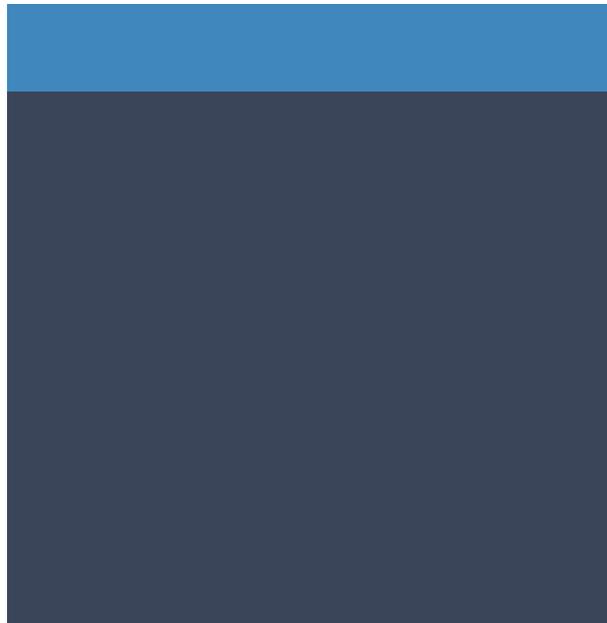


Source: Bloomberg and MSCI as of July 31, 2024. Past returns are not a guarantee of future results.  
Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Index Concentration

## Total Number of Stocks in the EM Universe

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← MSCI EM Index: 1,328 Stocks

← EM Stocks Not in MSCI Index: 12,839 Stocks

Source: Bloomberg and MSCI as of July 31, 2024. Past returns are not a guarantee of future results.  
Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

# Too Diverse and Complex

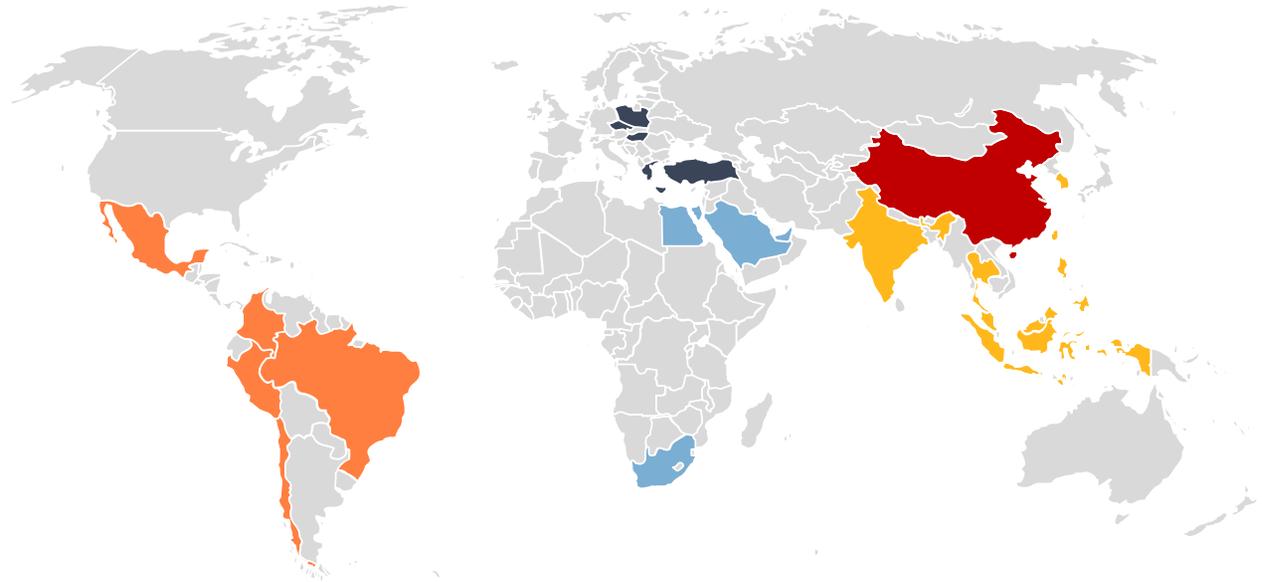
1,400+  
Stocks

24  
Emerging Market  
Countries

5  
Continents

16  
Emerging Market  
Languages

- Different economies
- Different politics
- Different market dynamics
- Different regulations
- Different types of transformations



Source: MSCI and Bloomberg. Data updated through July 31, 2024. Graphs are provided for illustrative purposes only and should not be relied upon to make an investment decision. Please see the end of this presentation for important disclosure information.

# Key Takeaways

- Emerging Markets have shown faster economic growth driven mostly by the expansion of its consumer base.
- As a group, Emerging Markets have performed poorly in recent years, leaving valuations at an attractive level.
- Emerging Markets are less efficient, providing a fertile ground for alpha generation.
- The approach chosen should take in consideration Emerging Markets large universe and its complexity.

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