Emerging Markets Portfolio

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Why invest in Emerging Markets?

After being out of favour, and for good reason, for many years, Emerging Markets (EMs) are "back".

Approximately 80% of the world's population reside in EMs, and according to the IMF, they account for almost 85% of consumption growth.

The biggest driver of EM assets in the coming years will be sustained economic growth almost across the board. Growth is reflected in average annual projected rates of nearly 8% for India and 6% for China, while Brazil, Russia and many others will see accelerated expansion. This creates a compelling case for EM investments. Additionally:

- Recent strong corporate earnings growth should continue, and this will in turn support markets.
- Valuations are not very high and (as of January 2018) EMs are trading at a deep discount to the US markets.
- Debt dynamics have changed as EMs rely much less on foreign creditors. This decreases the likelihood of an economic shock.

The Commodity shift

In the early 2000s, energy and material stocks made up 30-40% of global emerging market capitalisation. This large proportion of commodities created tremendous volatility in these markets.

That weighting has dropped dramatically, with only 15% of emerging market capitalisation dependent on materials and energy. The rise in consumerism has turned the focus to financials, consumer staples, industrials, and technology.

Portfolio profile

The portfolio targets aggressive capital growth with high risk, and as such it should form only part of one's overall portfolio. In the unavoidable event of market correction, you should expect your portfolio to depreciate significantly.

As most liquid and listed EM funds are priced in USD, the portfolio is made up only of USD share classes. The ultimate currency exposure of the portfolio is that of the currencies of each EM country that the funds we use are exposed to. As such there is considerable currency risk.

Emerging Market Portfolio Vs Emerging Market Fund

The objective is to partake in the growth of Emerging Market (EM) economies through vehicles that invest in companies that are either listed in EM countries or that have high exposure to EM economies.

So why not simply buy an Emerging Market fund?

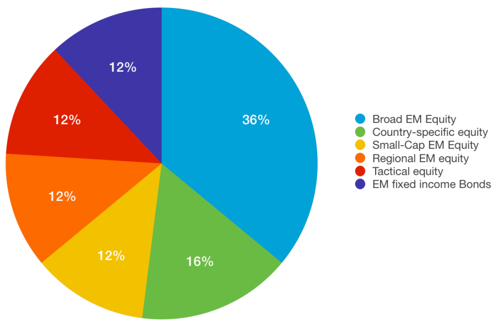
- The Elgin EM portfolio is not benchmarked to the MSCI EM Equity Index but consists of our best ideas in a highly customised investment strategy. As such we are not benchmark-huggers.
- Diversification is the core. The portfolio consists of both strategic and tactical holdings.
- Costs and fees are low when compared to managed EM funds.

What is the portfolio composition?

- Broad and regional equity Exchange Traded Funds (ETFs) that use Market-Cap, Multi-factor or Fundamental strategies
- Country-specific equity Closed End Funds (CEFs) that have consistently beaten their benchmarks
- Fixed income ETFs that invest in both local and hard currency EM sovereign bonds

The portfolio will be closely monitored and rebalanced as and when required at the managers discretion.

Investing in emerging markets or a specific market or sector, may involve higher risks such as liquidity, currency & market volatility.



Fees:

Please contact Elgin for a personalised illustration and investment proposal.

- Minimum investment: 50K $/£/€
- Minimum top-up: 10K $/£/€