

Media Release

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The future is on sale with emerging market equities

Investors are yet to fully take advantage of the opportunities emerging market equities can bring to portfolios. Market conditions are suitable, and valuations are compelling, according to Navin Hingorani, portfolio manager at Eastspring Investments, who says the two criteria that investors need in order to generate alpha are cheap valuations and 'unloved' companies.

"The starting point for emerging markets in terms of valuations and in terms of positioning is really compelling. Emerging markets are currently cheap, trading at a 65 per cent discount to the US, and investor positioning towards the emerging market is almost in a trough."

Historically, emerging market outperformance against developed markets has happened in environments of a falling US dollar, expanding growth differentials between emerging and developed markets (DM), and increasing CAPEX.

"Since the 2000s, 10 of the 11 biggest rallies in emerging market stocks have been during periods of a weakening US dollar. This year, the US dollar has been on a downward trajectory.

"Likewise, emerging markets have outperformed developed markets in environments where the growth differential between the two is expanding, which is the environment we are in right now. We are seeing stable to increasing growth in emerging markets versus declining real GDP growth in developed markets," he says.

CAPEX is also a good indication of emerging market rebound and is important to monitor, says Mr Hingorani.

"Since the financial crisis CAPEX had been declining but this is starting to change. Emerging markets are the manufacturers and suppliers to the rest of the world, and tend to perform very strongly when CAPEX is increasing, which is the shift we are seeing happen right now.

"When you take all three factors into account, it suggests an environment where you have faster EPS growth in emerging markets," he says.

The US tariffs have been topical for emerging markets and introduced a high degree of uncertainty, however Mr Hingorani says that with uncertainty comes opportunity, and that active management plays an important role in this market.

"In times of uncertainty the market pays a high price for 'safer' investments, but it also tends to overcompensate on the downside by penalising companies where there is a degree of fear. We have a great opportunity to be able to identify stocks that have been mispriced because of this fear around tariffs.



“Active management is also important in EMs. If you had invested in the emerging market index over the last five years, returns would have been at the third quartile, so there's a huge opportunity for active management to outperform in emerging markets.

“Investors are essentially accessing in a diverse range of economies, across various continents. The universe of investable stocks is more than 3000, so active management plays an important role in bringing the essential thesis into specific economies and picking the right stocks with the limited resources that you have.

“It is also essential to take out any bias when selecting stocks. Don't just invest in the most popular and most loved stocks, instead identify stocks with compelling valuations, and determine what the current share price may be telling you about future expectations.

“For investors, the biggest determinant of future return is the price that you pay when you go in, and at the moment EMs are really compelling because they are trading cheap and the upside outweighs the uncertainties,” says Mr Hingorani.

About GSFM

GSFM was established in 2007 as a subsidiary of the Grant Samuel Group. In 2016 Canadian wealth manager CI Financial Corp, which oversees more than C\$550.9 bn in funds under management (at 30 June 2025), acquired a majority stake in the business, previously held by Grant Samuel.

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- Eastspring Investments: As a global asset manager based in Singapore, Eastspring brings deep insights and a disciplined approach to investments across Asia, catering to a wide array of asset classes.
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- Australian Entertainment Partners (AEP): Creators of the AEP Screen Fund, this investment vehicle is dedicated to supporting Australian film and television projects, backing local talent and boosting the creative industry.

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