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FOR IMMEDIATE RELEASE

UK INVESTORS INCREASINGLY LOOKING TO EMERGING MARKETS FOR INVESTMENT OPPORTUNITIES AND GROWTH

- *One in three (33%) UK based investors expect emerging markets investment returns for 2019 to be higher than they were in 2018. This is twice as high as the amount expecting higher returns from UK investments (17%)*
- *Three months of negative growth in the UK economy is more likely to result in investors making portfolio changes compared to a similar period in emerging markets*
- *Two fifths (40%) of UK investors holding investments in China and the US took no action during the trade war escalation, showing that investors are more optimistic about the prospects for emerging markets*
- *Although perceptions of emerging markets are changing, there is more room for progress as over half (53%) of all UK investors are not currently invested in emerging markets, missing out on associated diversification*

London, 15 May 2019 – UK investors are increasingly looking to emerging markets for investment opportunities as uncertainty in the UK drives them to look for new avenues for growth, a new study by Templeton Emerging Markets Investment Trust (TEMIT)[1] has revealed.

The study[2], which looked at investor mindsets towards emerging markets, found that UK investors were twice as likely to expect higher returns from emerging markets in 2019 compared to 2018 (33%) than they were from the UK market (17%).

Opportunities in emerging markets

The expectation for higher returns is being driven by a sense of opportunity with 36% of investors believing that emerging markets offer undiscovered opportunities, 32% saying emerging markets offer rapid growth and a further 27% believing that the key reason for the expected increase is the growth of innovative companies.

UK investors are also four times as likely to say that their view on emerging markets as an investment opportunity has become more positive over the past 12-months (20%) as compared to becoming more negative (5%). Reflecting this increase in positive sentiment, two-in-five investors think it is a good time now to invest in emerging markets (39%).

In addition, UK investors are focusing on pockets of potential opportunity in emerging markets and see the strongest potential for growth in China (26%), India (24%) and Brazil (18%).

Chetan Sehgal, lead portfolio manager, TEMIT commented: “It should come as no surprise that investors are recognising the potential in emerging markets given the great strides that these economies have made over the past few decades. Despite a rocky time in 2018, emerging markets have grown by 10.68% over the last 3 years, 3.68% over the last 5 years and 8.94% over the last 10 years[3]. Furthermore, the overall improvement in emerging market policies and fundamentals provides a vital buffer when global headwinds emerge such as rising US interest rates and a strong US dollar. We are confident that there is further room for positive developments.

“Nevertheless, when considering the transformation and development of emerging markets, investors should be mindful of the disparities between individual emerging markets. Much-publicised setbacks in certain economies have occasionally coloured investors’ perception of the asset class. For us, disparities between countries and regions present an opportunity and point to the importance of taking an active approach, using local market analysis and insight to distinguish resilient economies and companies which are primed for sustainable growth.”

Investor concerns and actions

When asked about their concerns for the coming year, UK investors’ worries were broadly domestic in nature: Brexit (57%), the possibility of a general election (42%), economic and political instability in developed markets (39%) and low interest rates or yields (35%).

The research found that three months of negative economic growth in the UK is more likely to influence the investment decisions of domestic investors (35%) than a similar period of negative growth in China (25%), India (24%), or the US (27%). This underscores that investors are more willing to ride out volatility in overseas markets.

Further, while one in three (33%) investors are concerned about economic or political instability in developing markets, investors are less likely to react to macroeconomic threats in emerging markets. Two fifths (40%) of investors with assets in China and the US said that they made no portfolio changes during the escalation of the US / China trade dispute, and of those that did take action, only 15% said that they moved investments out of China.

Sehgal added: “It is encouraging to see that many investors understand that emerging markets are a longer-term play and to expect periods of volatility.”

“Despite having concerns about the economic and political situation at home, investors do not appear to be diversifying their portfolio, including having exposure to emerging markets. Of the UK investors surveyed, 58% of all portfolio assets, on average, currently sit in domestic markets, with only 10% in emerging market assets. Given that 53% of all UK investors have no assets in emerging markets at all, it is perhaps no surprise to see that only 24% are able to identify diversification as a benefit of holding emerging market investments.”

Sehgal concluded: “Emerging markets can be an important driver of returns in a portfolio, but what some investors underestimate is the important role they play in portfolio diversification thus ensuring that investors are not overexposed to any single market. Despite years of progress and economic reform, outdated perceptions still exist and investors who hold on to old assumptions about emerging markets are likely to overlook the transformation of these economies and systematically under-allocate to the fastest-growing parts of the world.”

Tips for getting started in emerging markets:

1. **Set an investment goal and think long term:** Whether it's investing for buying a house or retirement planning it's helpful to have a clear goal in mind to keep you motivated. Emerging markets should be considered as part of a long-term investment strategy. When markets are volatile it can be tempting to exit or switch to another asset class, but it's important to ride out volatility as just a few days out of the market could impact long-term investment performance. As with any investment, the sooner you can start investing, and the longer you can invest for, the better.

2. **Do some of your own research and speak to a financial adviser:** Emerging markets can offer the opportunity for considerable growth and add variety to a mixed portfolio, which would be very one-sided were it all invested in developed markets such as the US, the UK, Germany and Japan. But not everyone is a stock picker, so it's important to do your own research as well as speak to a financial adviser. An IFA can offer guidance on how, when and where to buy.

3. **Consider an active management strategy and investing in a pooled investment such as an investment trust**: An active investment approach provides access to emerging markets experts who can find the companies best positioned to capitalise on growth and, seek to reduce risk and increase the value of your investment over time. Investment trusts offer an easy way to access a collection of investments, which have been picked by a team of experts.

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Notes to Editors:

1. **TEMIT** is a closed-end investment trust with £2.11 billion of assets under management (as at 31 March 2019) managed by Franklin Templeton Investments. It is listed on the London Stock Exchange (mnemonic: TEM). **The price of shares in TEMIT and income from them can go down as well as up and you may not get back the full amount that you invested.** Past performance is not an indicator, nor a guarantee of future performance. Currency fluctuations will affect the value of overseas investments. When investing in a fund denominated in a currency other than sterling, performance may also be affected by currency fluctuations. In emerging markets, the risks can be greater than in developed markets. Please consult your professional adviser before deciding to invest

2. Research conducted on behalf of TEMIT by Cicero Group. All figures, unless otherwise stated, are from Cicero Group. Total sample size was 2,270 UK consumers (18+), with 1,379 UK investors who invest of which 1,032 hold investments of at least £25,000. 505 of the total sample are 18 – 34 and are current or future investors. Fieldwork was undertaken between 18th – 26th February 2019. The survey was carried out online.

3**.** Growth rates were referenced from MSCI Emerging Markets Index (USD), https://www.msci.com/documents/10199/c0db0a48-01f2-4ba9-ad01-226fd5678111.

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