Franklin Templeton
Cannon Place
78 Cannon Street
London EC4N 6HL
United Kingdom

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EMERGING MARKETS EMERGE AS LONG-TERM WINNERS FOR INVESTORS IN THE CURRENT ECONOMIC ENVIRONMENT

- Emerging markets are playing an important role in the growth of technology, innovation and environmental stability globally.
- UK consumers are becoming increasingly exposed to "high-tech" goods from emerging markets, with these exports forecasted to grow further.
- Some emerging markets are playing an integral role in the renewable energy sector.

London, 10th September 2019 – Amidst today's volatile economic environment - with Brexit, trade wars, and early signs of a global economic slowdown remaining high on the agenda - findings from a new study '*The Changing Nature of Emerging Markets'* by Templeton Emerging Markets Investment Trust (TEMIT)[1] show that emerging market countries are becoming the long-term winners in the current economic climate.[2]

Despite existing misconceptions about emerging markets, the report reveals how perceptions and attitudes are gradually changing and how emerging markets can provide an opportunity to offset market volatility, helping investors to diversify their portfolios and take advantage of today's investment landscape.

30 years of emerging markets: Different markets, new opportunities

Thirty years ago, emerging markets stood out as a mixed collection of commodity exporters and low-cost manufacturers. Today, they have come to play an increasingly important role in driving global growth.

The technological transformation and relative economic and political stability has driven a sharp rise in the proportion of high value-add exports coming from emerging markets. Since 2001, there has been a significant increase in the trade value of "high-tech" exports from a range of sectors including aircraft and spacecraft, automotive, electrical equipment, computing and data storage and medical tech equipment. The research estimates a continued growth in these types of exports at a compound annual growth rate of 16% for the years 2017-2023.[3]

UK consumers' exposure to these "high-tech" products has seen similarly rapid growth over this same timeframe and is expected to continue as, increasingly, the technology in smartphones, tablets and laptops is being produced in emerging markets. China currently dominates, accounting for nearly two-fifths of all "high-tech" imports from emerging markets.[4]

Chetan Sehgal, Lead Portfolio Manager, TEMIT commented:

"Since we first began investing in emerging markets, the nature of these economies has changed dramatically. Yet unfortunately, first impressions tend to last, and some investors still associate emerging markets with the 'stack it high, sell it cheap' models of the past.

“Our research shows that UK consumers are far more exposed to ’high-tech’ and value-add products and services coming out of emerging markets than they realise. It is encouraging to see recognition of this change beginning to take shape, particularly amongst younger consumers, with 50% of 18-39-year olds noting that they are increasingly interacting with emerging markets goods and services on a daily basis (33% among all UK consumers[5]).”

A sustainable future

There is often the view among UK consumers that emerging markets represent environmentally and socially unfriendly investments – which is likely to be a legacy of the former reliance of many emerging markets on fossil fuel industries and primary industries. Developed markets, on the other hand, are often seen to reflect environmentally and socially sound and highly regulated investments. However, the report demonstrated that there are two sides to this coin.

Some emerging markets are playing an integral role in the generation of renewable energy. At present, renewable electricity generation is dominated by China, which produces more than 2.5 times the amount of renewable power that the US produces. Furthermore, Brazil, India and Russia are all generating far higher levels of renewable electricity than the UK, Germany and Italy.[6] Thus, highlighting that there are pockets of emerging market countries driving the generation of renewable energy.

This is reflected in the levels of trade in renewable energy technologies. The research suggests China far outweighs all other countries in current levels of trade in renewable energy technologies, producing over two and a half times the trade volumes of the next highest country. In fact, the top seven markets are all Asian. It would, however, appear that there are a number of other emerging markets, intent on playing catch-up.

Andrew Ness, Portfolio Manager, TEMIT commented:

“We are optimistic about the opportunities for renewables across emerging markets. However, it is important to note that the decision to invest in a given region and sector is far more complex than looking solely at expected growth. We consider a wide range of factors in our bottom-up stock selection process based on in-depth company research.

“Ultimately, our focus from an investment perspective is on individual companies and, as stewards of our clients’ capital, it is our responsibility as shareholders to hold companies to account and encourage best practice in the businesses in which we invest.”

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Contacts:

Saira Khan Corporate Communications Manager Franklin Templeton Cannon Place, 78 Cannon Street London EC4N 6HL Tel: 0207 073 8644 Email: saira.khan@franklintempleton.co.uk	***Victoria Haworth*** Lansons 24a St John Street, London EC1M 4AY Tel: 0207 566 9734 Email: victoriah@lansons.com

Notes to Editors:

1. **TEMIT** is a closed-end investment trust with £2.26bn of assets under management (as at 31 July 2019) managed by Franklin Templeton. 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. Changing Nature of Emerging Markets, September 2019, TEMIT.
3. Source: Coriolis Technologies.
4. Source: Coriolis Technologies.
5. 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.
6. Source: IEA.
7. Source: Is an energy revolution underway in Chile? Maximiliano Proaño.

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