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Barrow Hanley: The overlooked opportunity in emerging markets

By Perpetual Asset Management
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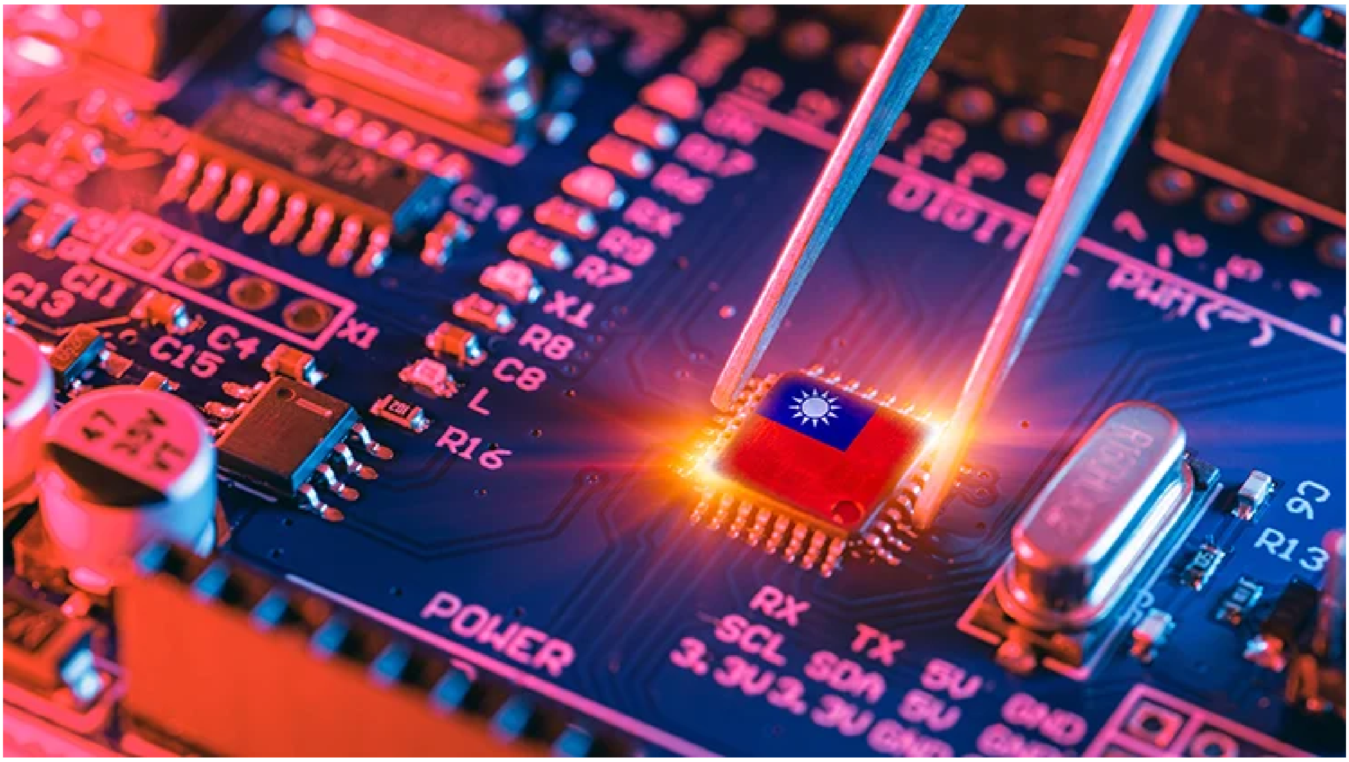

Emerging markets are being misread and mispriced, according to Barrow Hanley's DAVID FEYGENSON, and that means opportunity for savvy investors.

- A decade of investing in Wall St tech has created EM opportunities
- Taiwan, ASEAN countries look attractive
- Find out about the Barrow Hanley Emerging Markets Fund

"Emerging markets are really a diverse set of countries and with higher economic growth rates than developed markets, trading at cheaper valuations," Feygenson explains.

"They offer investors good diversification benefits and higher returns for the long term. More leading companies are coming out of emerging markets and becoming champions and dominating in fields like EVs, batteries, semiconductors, and solar."

There is a substantial mismatch between the market cap of emerging market companies versus the GDP of their home markets.

Feygenson says emerging market stocks comprise just 12 per cent of the MSCI ACWI Index – which captures large and mid-cap representation across developed markets and emerging markets countries – yet 60 per cent of global GDP comes from those countries.

While Wall Street has "taken up a lot of the oxygen" over the past decade, emerging market leaders have been broadly overlooked, he says.

Taiwan

Feygenson says Taiwan is interesting to investors well beyond Taiwan Semiconductor Manufacturing Company (TSMC).

"There are great names that are a part of the AI value chain and have done well such as MediaTek. Taiwan also has new growth areas – companies that provide tensor processing units (TPUs) to Google."

TPUs are specialised semiconductors developed by Google specifically for accelerating machine learning tasks, particularly deep learning models.

"There's also a lot of companies in Taiwan that ... are making the nuts and bolts of AI, manufacturing, key components that go into the AI value chain," Feygenson says.

ASEAN economies

Indonesia's demographics, low banking and insurance penetration is too big to ignore, as is China's $11 trillion in savings that could drive consumer winners if sentiment improves, Feygenson says.

"The ASEAN group of countries are attractive. Coming out of COVID, they took a little longer to recover. They were impacted by higher interest rates, and more recently by the tariff wars as well as the war in the Middle East," he says.

"But that's led to low multiples across sectors. It's in consumer, it's in financials, it's in industrials, it's in utilities, it's in energy.

"For some companies, multiples are trading below COVID and GFC type valuations. But the earnings capability of these companies is not broken. The moats around those businesses are not broken, and they should be in a very good position to rally."

About Barrow Hanley

Barrow Hanley is a global leader in value investing, managing assets for clients for more than 40 years.

Barrow Hanley Emerging Markets Fund aims to provide long-term capital growth through investment in emerging market shares.

[Barrow Hanley Global Share Fund] aims to provide investors with long-term capital growth through investment in quality global shares.

[Barrow Hanley Global Share Active ETF (ASX:GLOB)] is a unit class in the Barrow Hanley Global Share Fund.

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