

A. Stotz

INVESTMENT
RESEARCH

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ACADEMY



Emerging markets are hurting, but cheap

Presented by: Andrew Stotz, PhD, CFA

Emerging markets are hurting, but cheap



- 🌐 Introducing emerging markets
- 🌐 Our FVMR framework
- 🌐 Fundamentals: Emerging markets are about 20% less profitable
- 🌐 Valuation: Emerging markets are about 41% cheaper
- 🌐 Asset class and region/country allocations

The emerging markets I am looking at

Emerging Markets

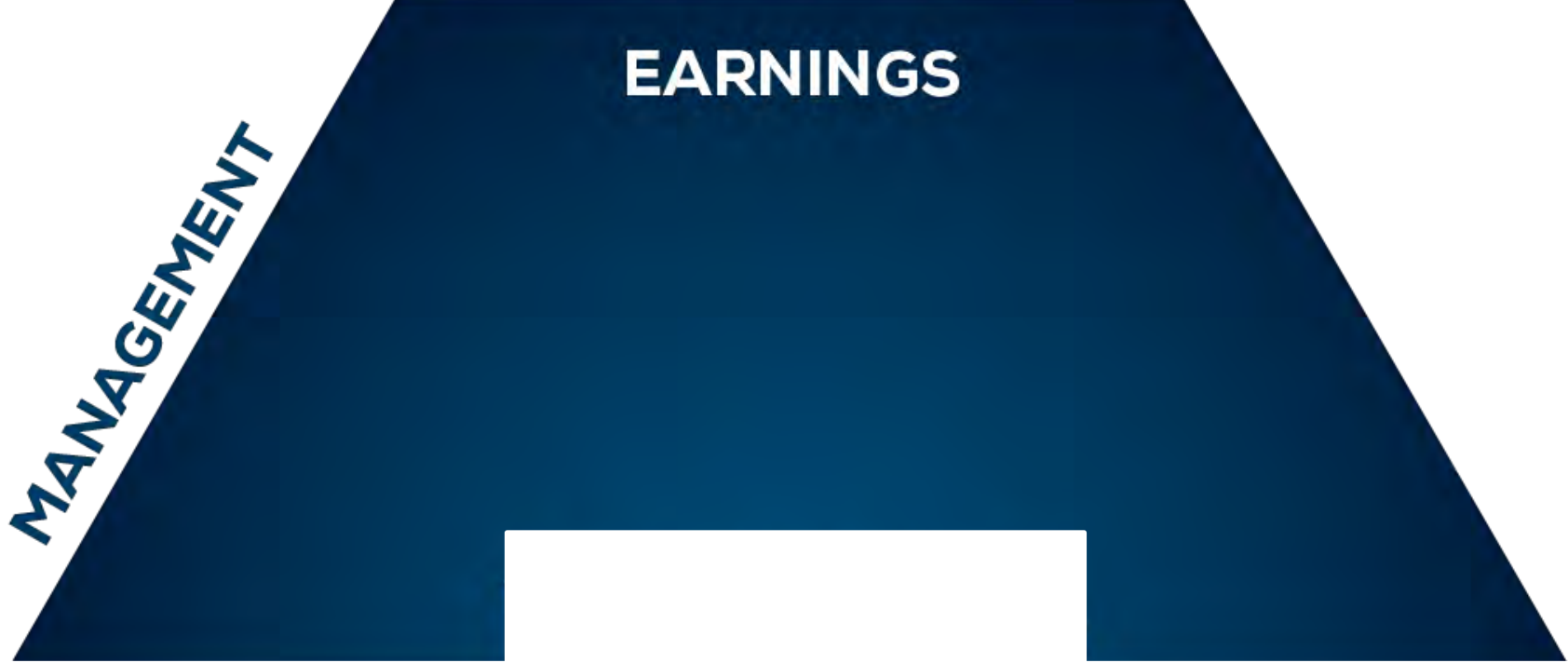
Europe	Asia	Latin America	Africa/Mid East
Czech Republic	China	Brazil	Egypt
Hungary	India	Chile	Morocco
Greece	Indonesia	Colombia	South Africa
Poland	Korea	Mexico	
Russia	Malaysia	Peru	
Turkey	Philippines		
	Taiwan		
	Thailand		
	Vietnam*		

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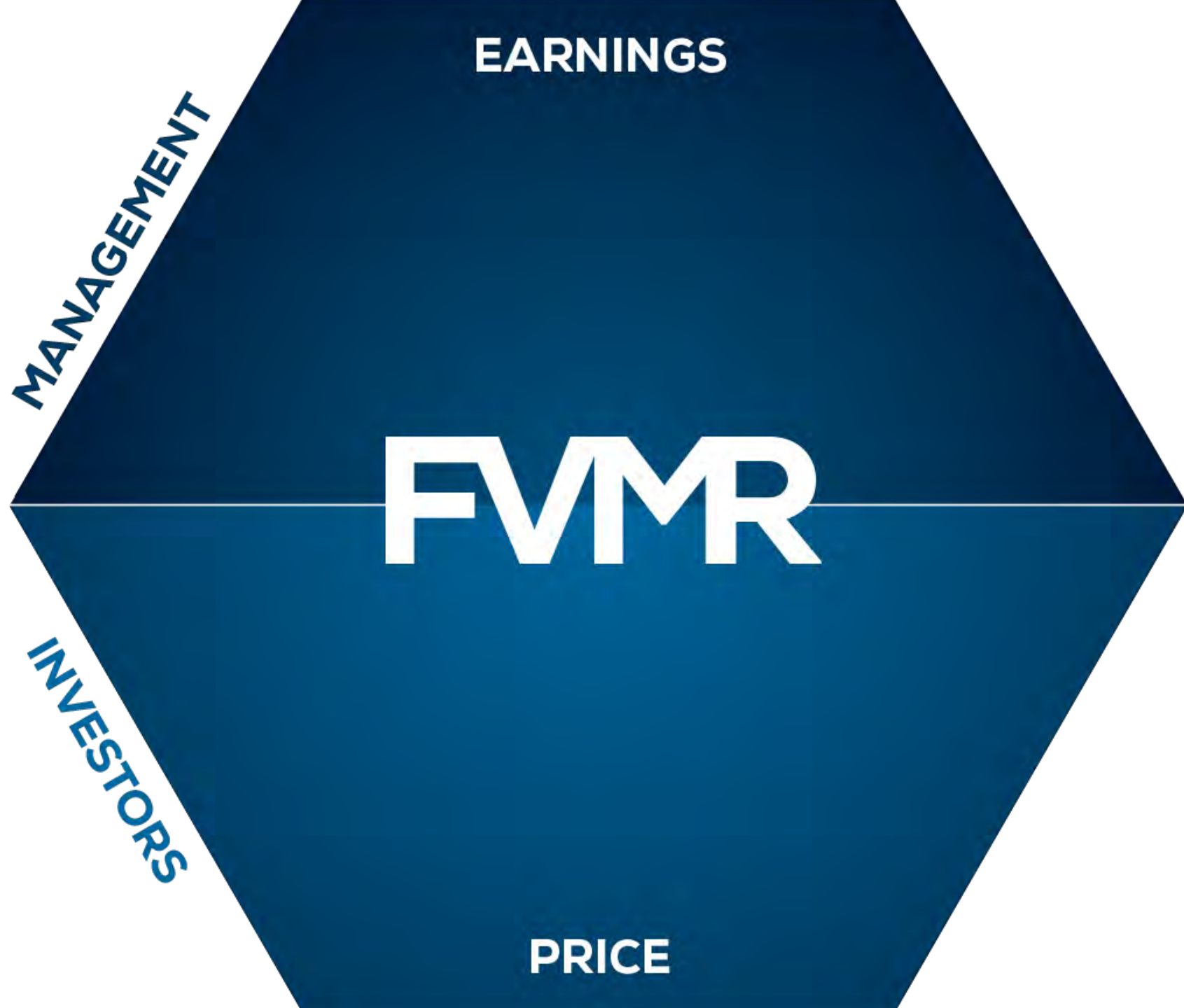
Management

Is responsible for
producing earnings

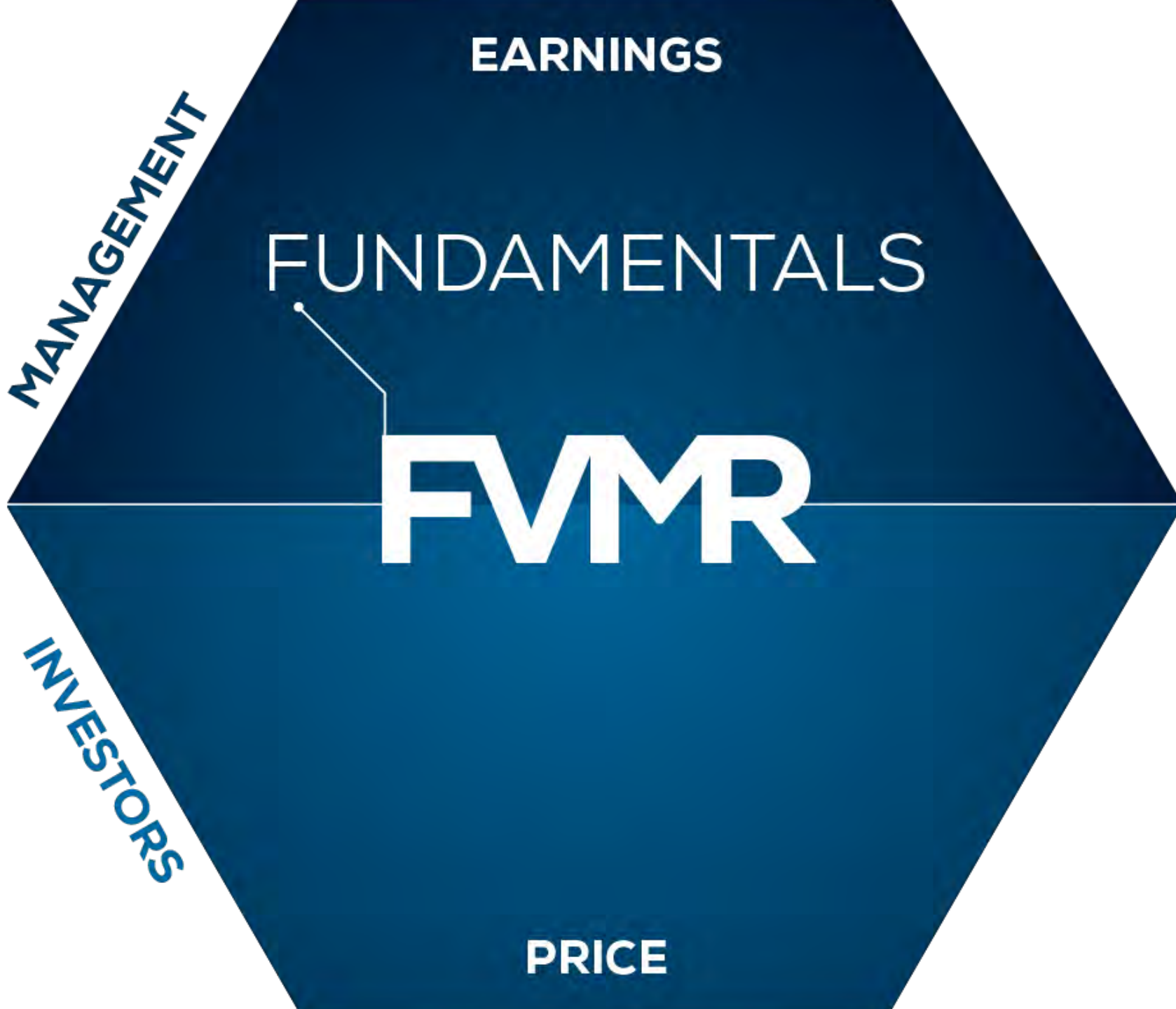


Investors

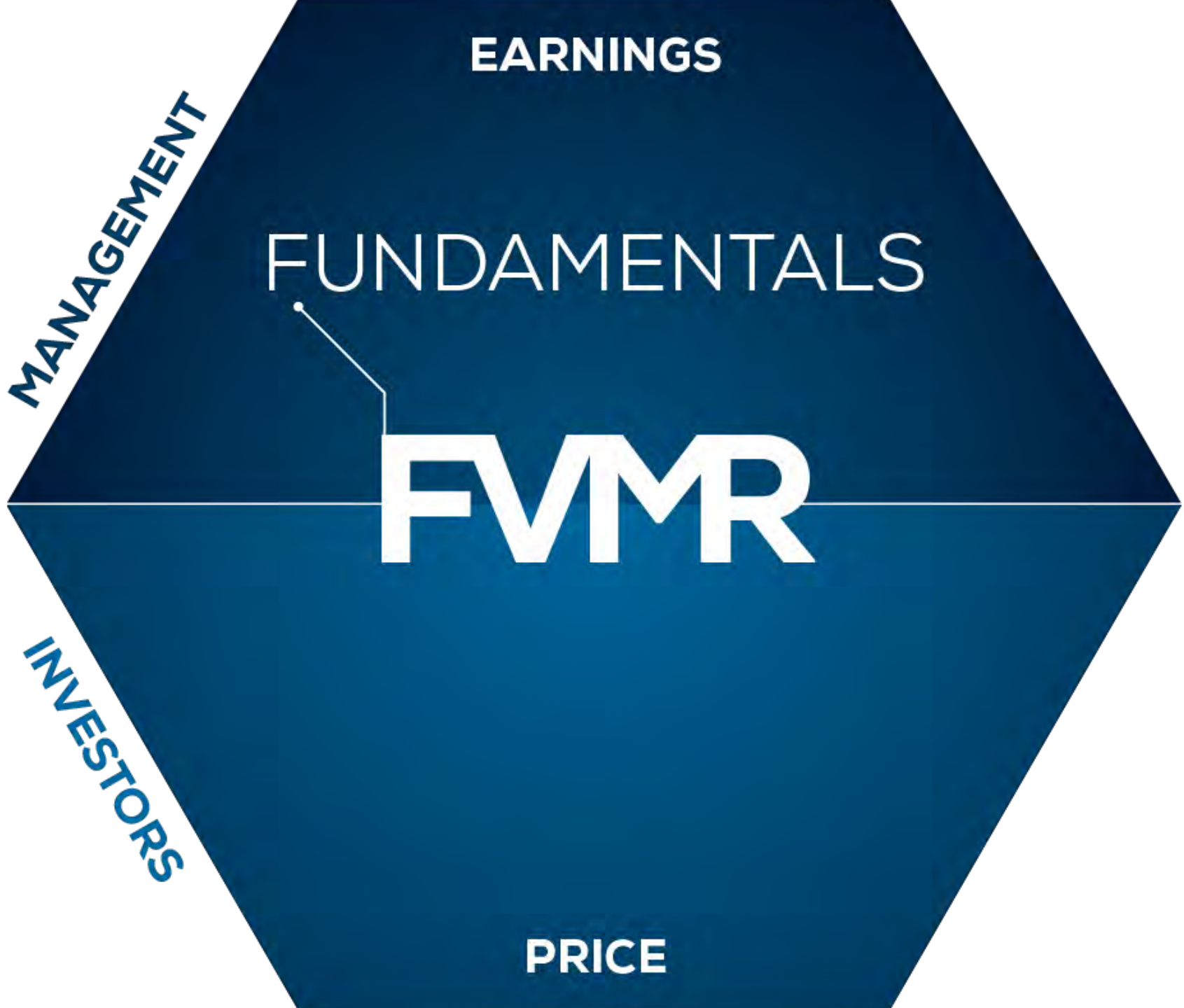
Set the price the company trades at



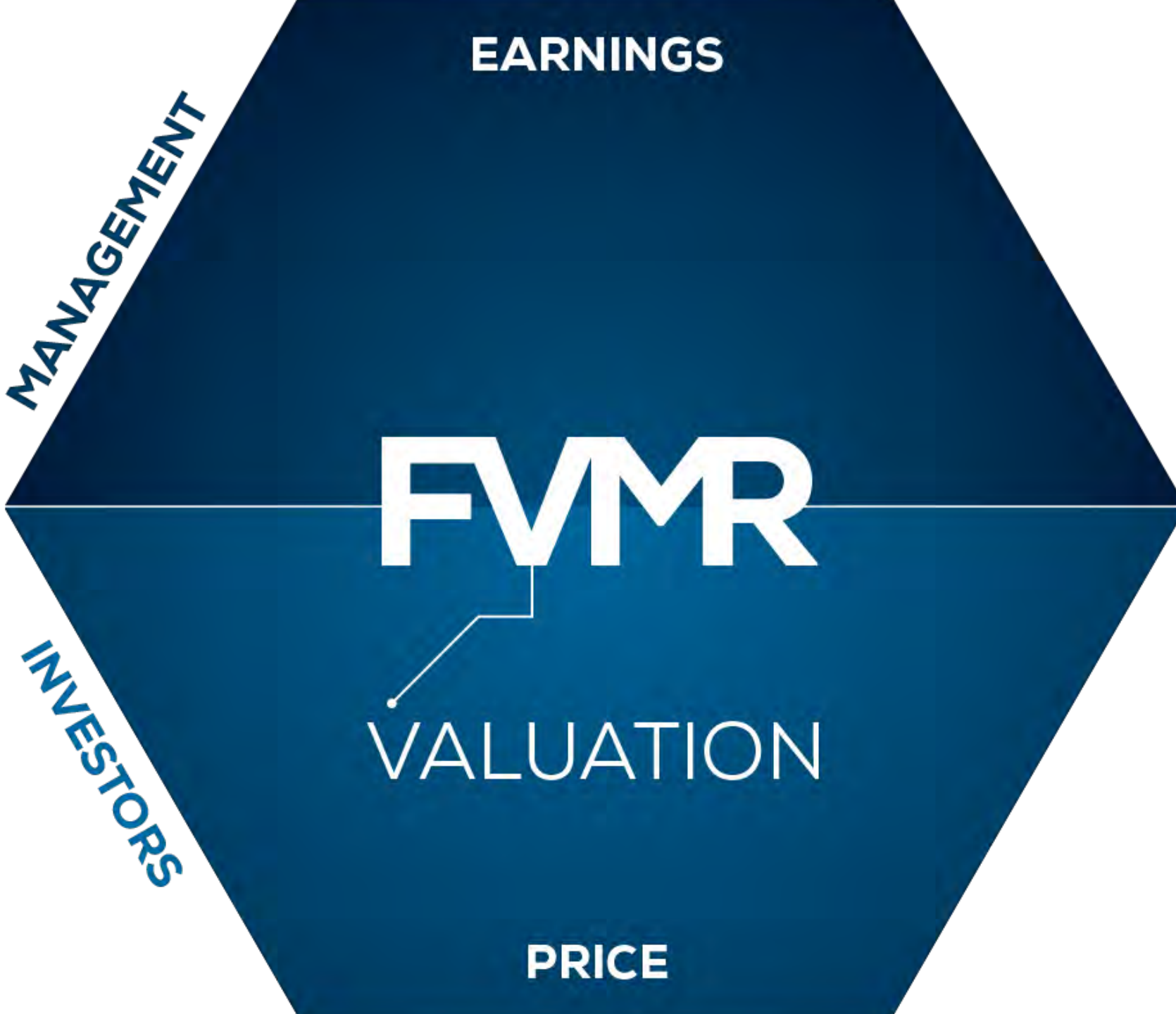
**There are 4
Elements to our
Our FVMR
framework**



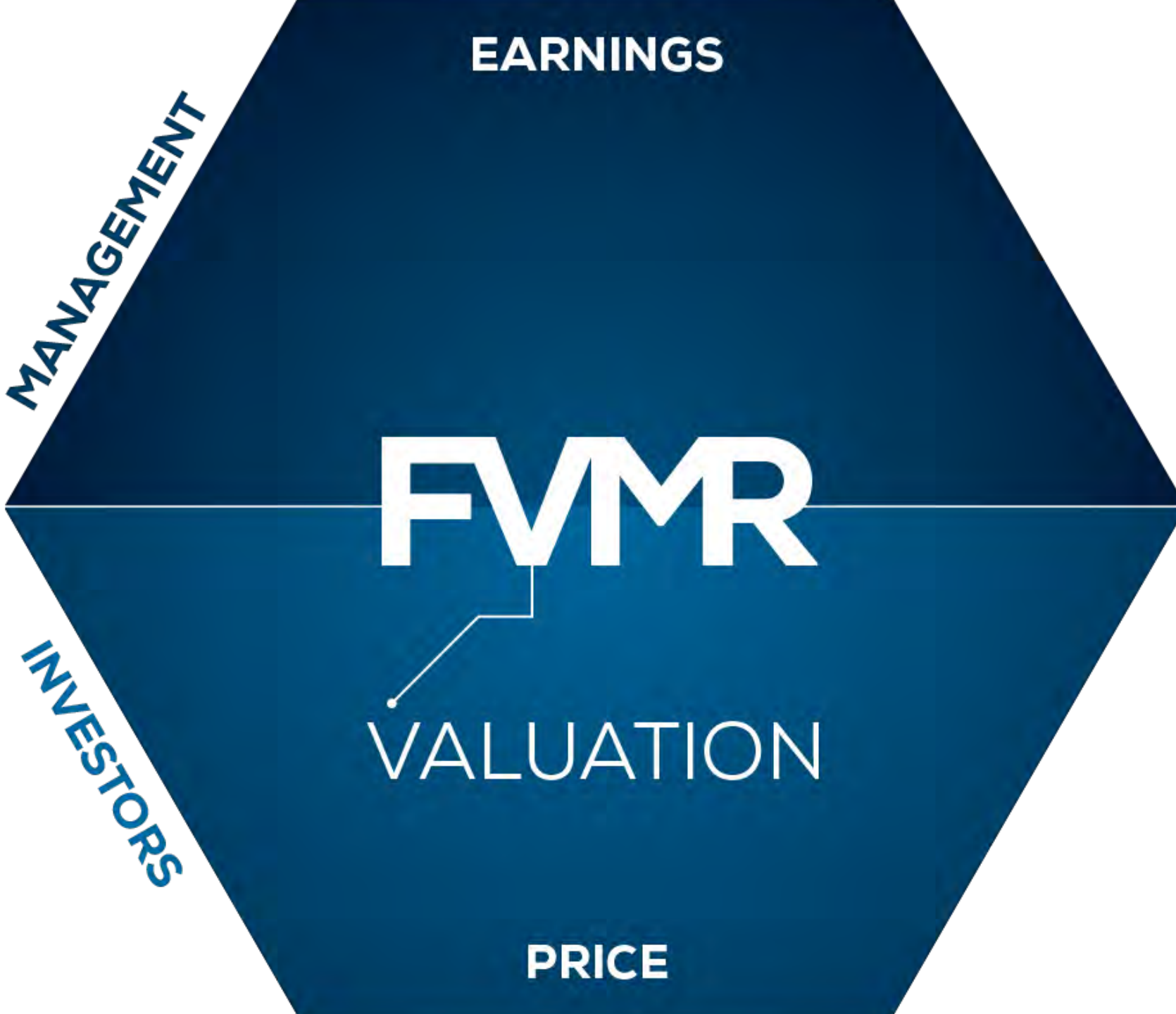
Fundamentals
Strong profitability shows a company is managed well.



We prefer high or rising profitability.



Valuation
Shows how the market perceives the stock.



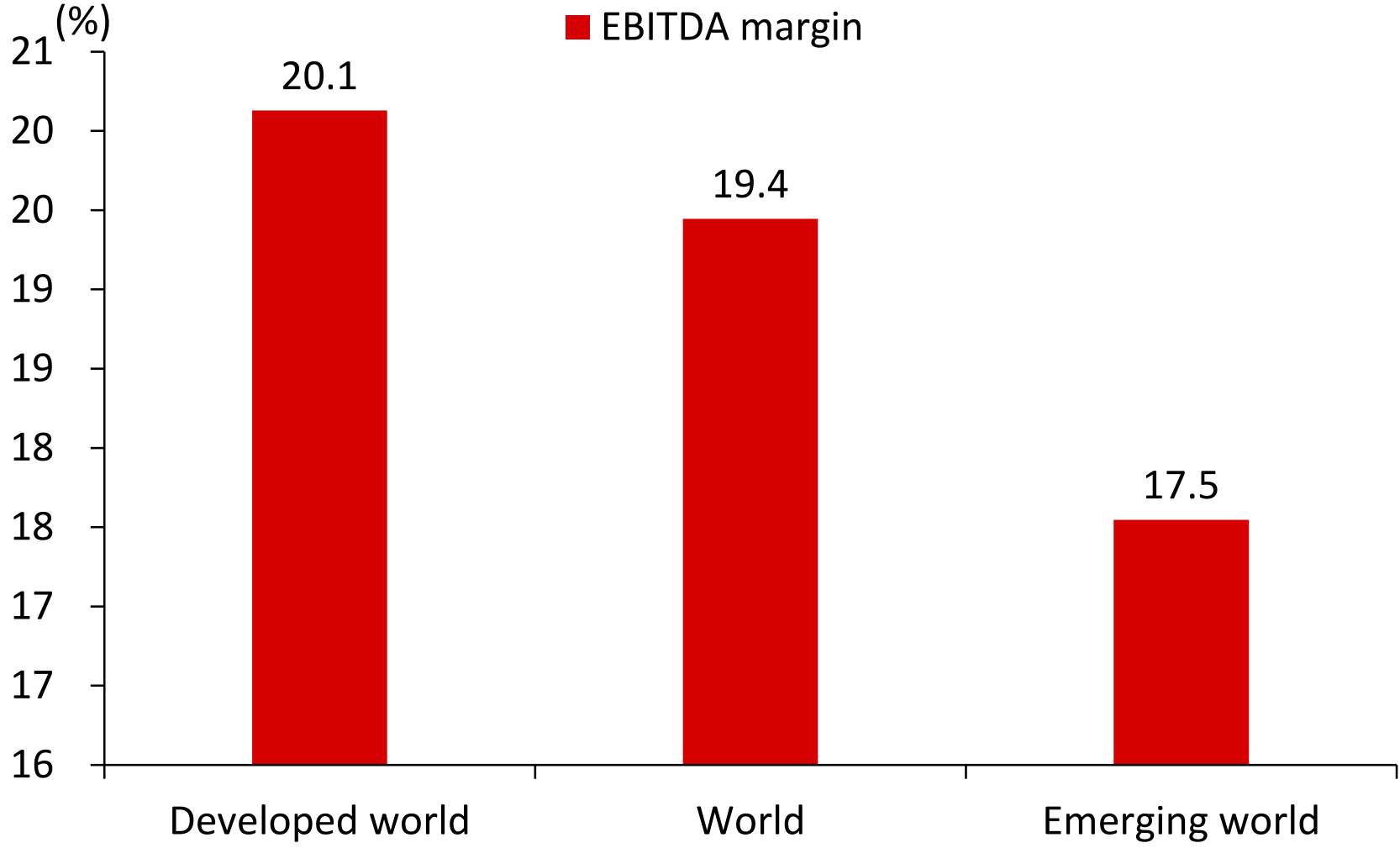
We prefer good fundamentals at relatively cheap valuations.

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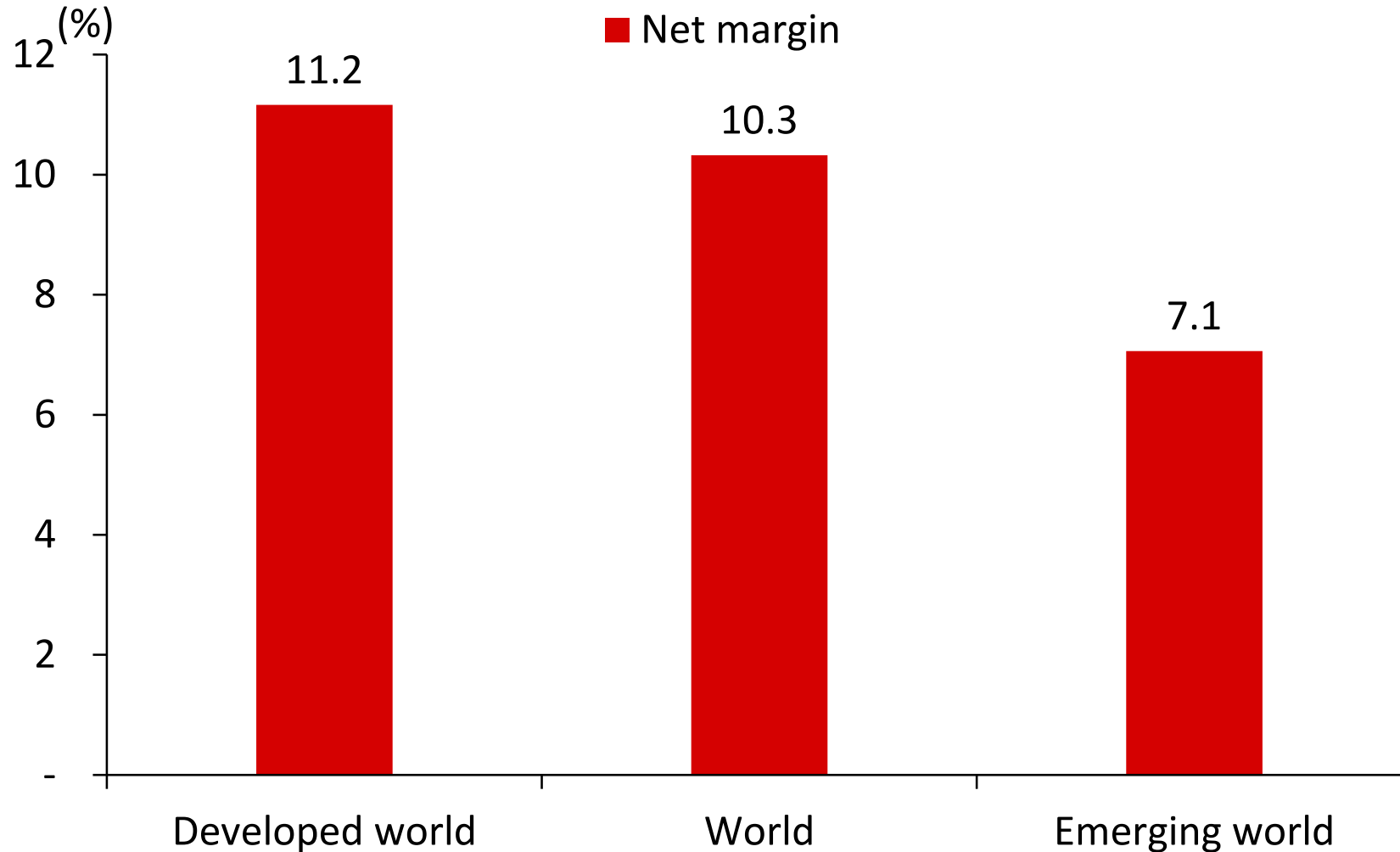
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EBITDA margin is 10% lower in Emerging markets

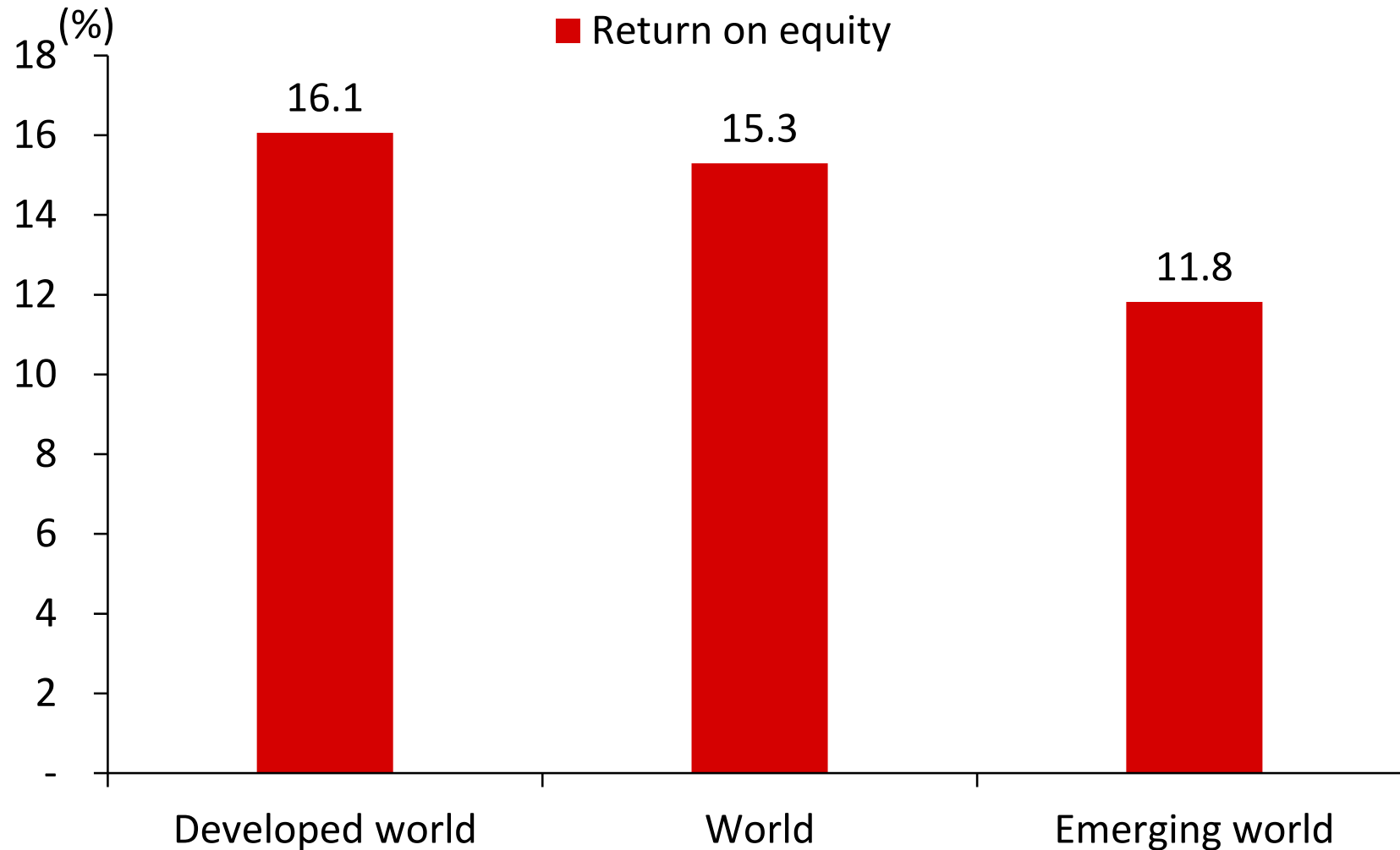


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Net margin is 32% lower in Emerging markets



ROE is 23% lower in Emerging markets



Best and worst

★ Most profitable

- Indonesia, **Australia**, Philippines, **US**, UK

★ Least profitable

- China, **Korea**, Thailand, Japan, **Germany**



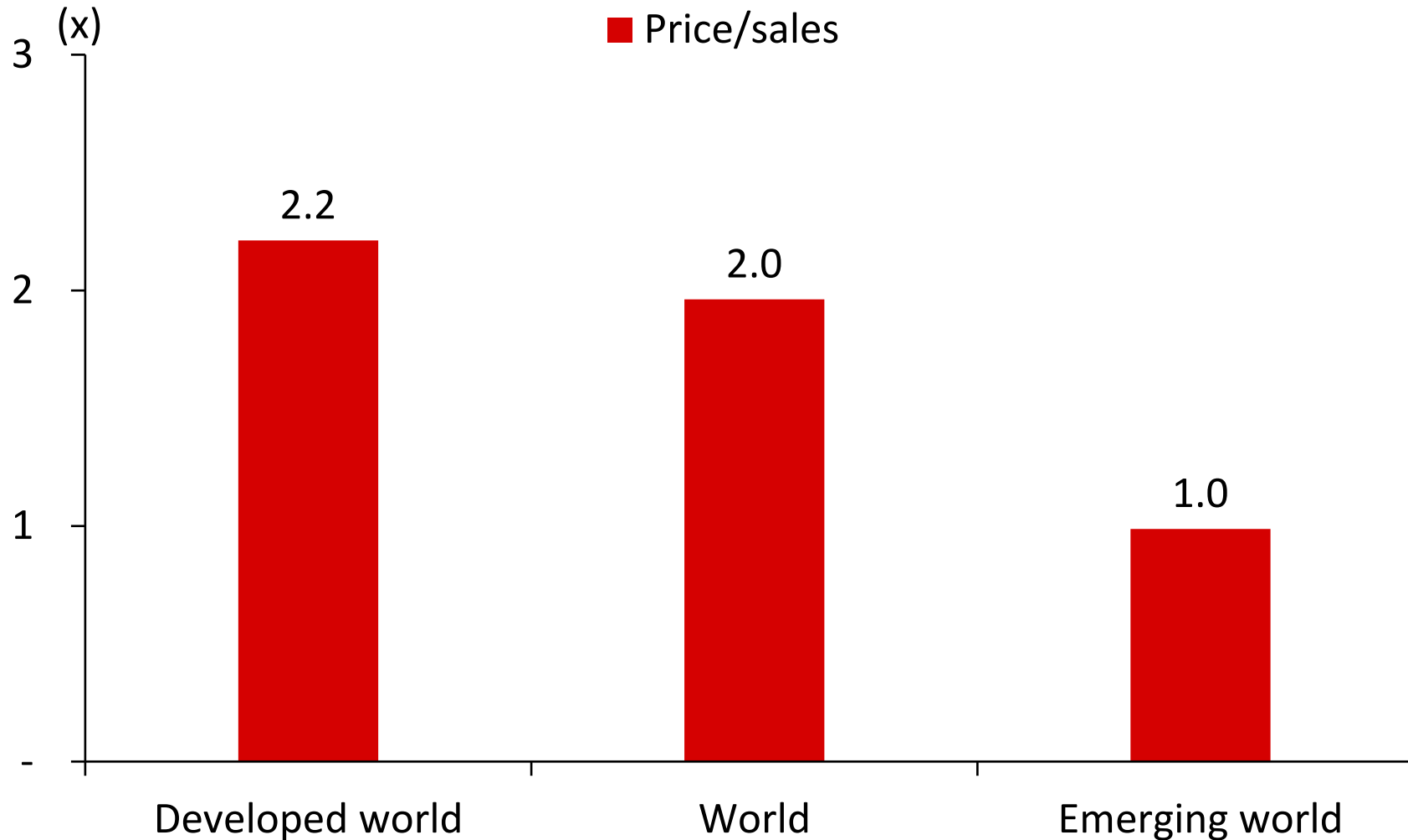
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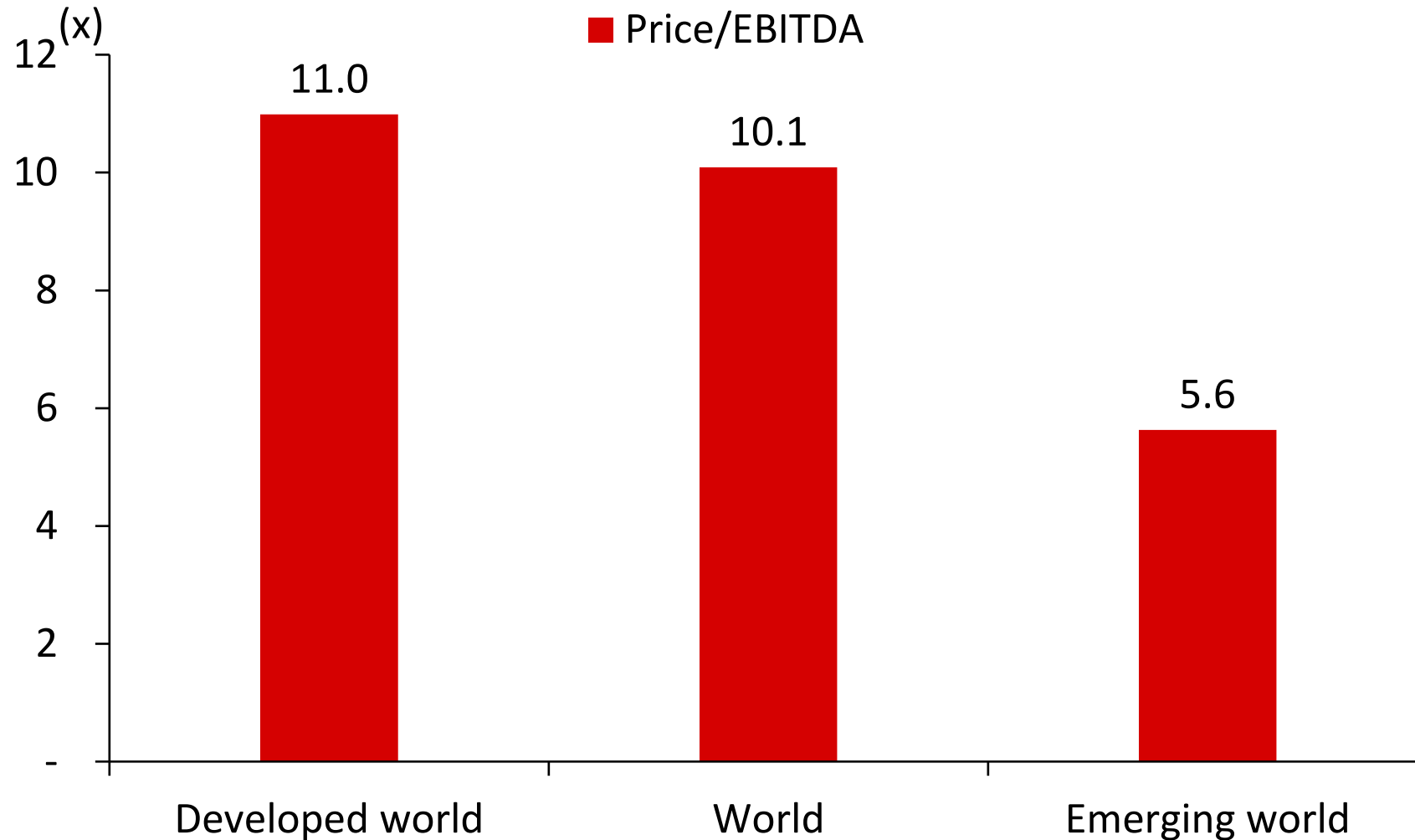


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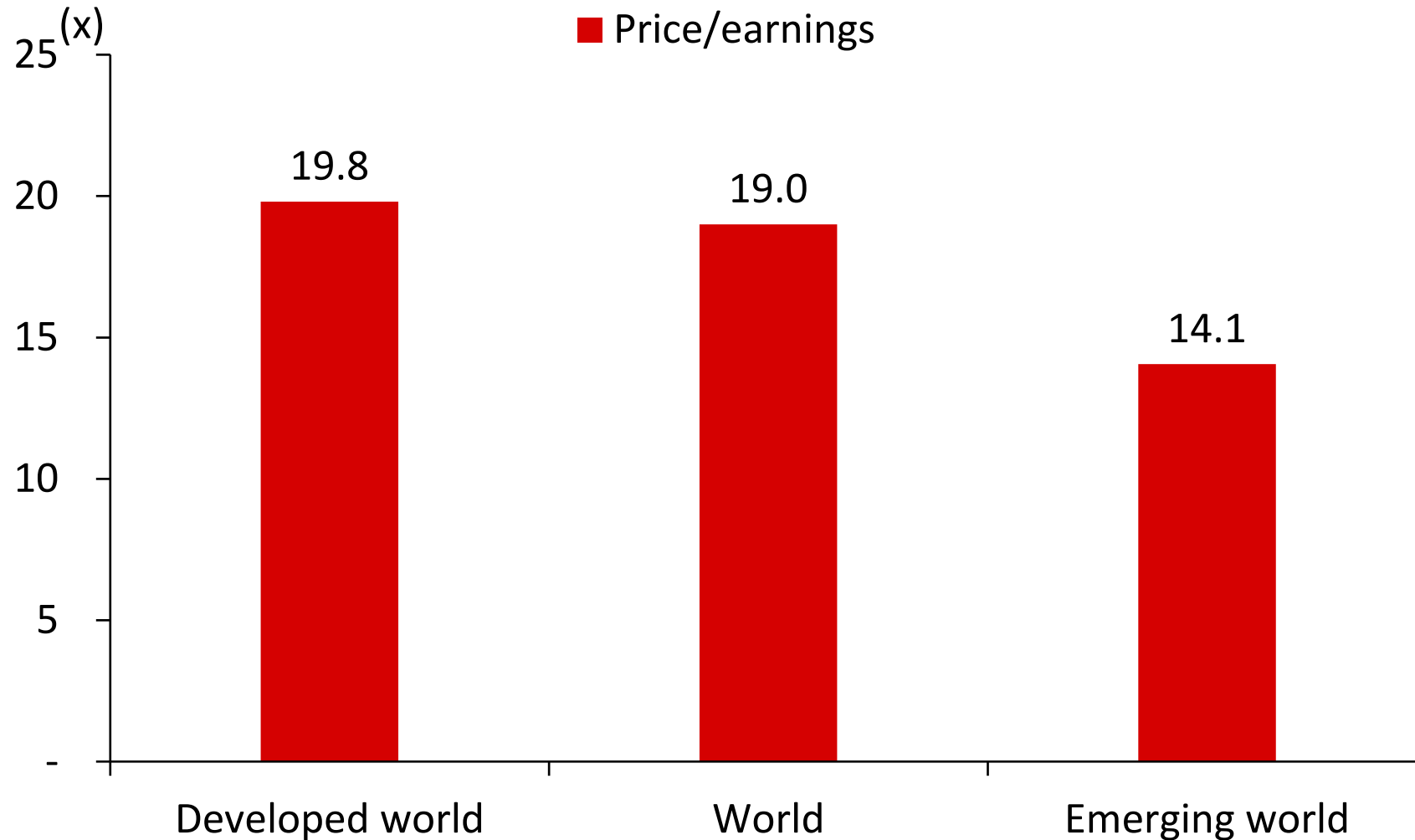
Emerging markets are at a 50% discount on price to sales



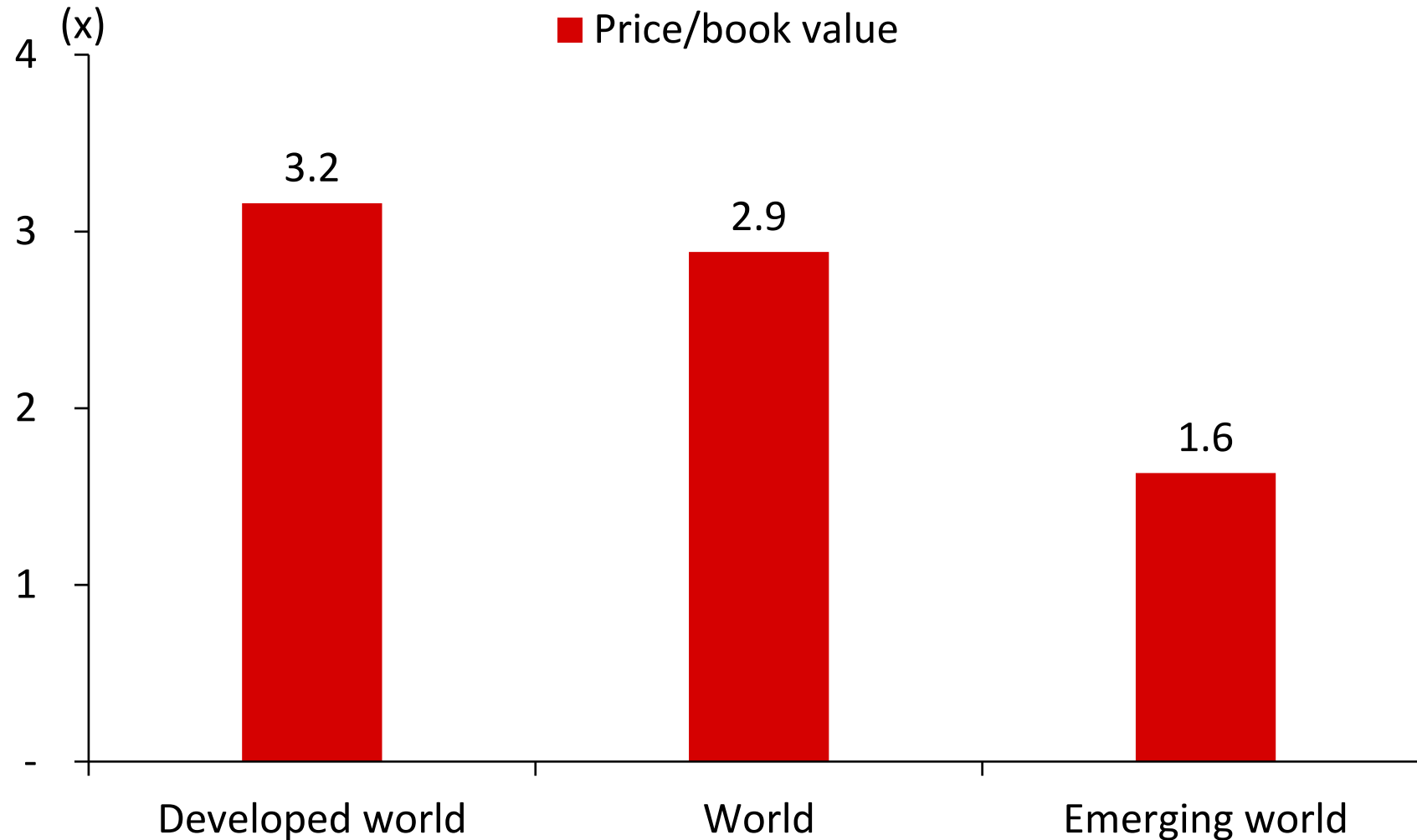
Emerging markets are at a 44% discount on price to EBITDA



Emerging markets are at a 26% discount on price to earnings



Emerging markets are at a 43% discount on price to sales



Best and worst

★ Cheapest

- Italy, Germany, **UK**, Korea, Hong Kong

★ Most expensive

- India, US, Taiwan, Australia, Singapore



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- 🌐 UK: Cheap and high profitability
- 🌐 Germany and Korea: Cheap and low profitability
- 🌐 Australia and US: Expensive but high profitability

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Asset classes

- ★ Stocks: 65%
- ★ Bonds: 5%
- ★ Commodities: 5%
- ★ Gold: 25%

- 🌐 This is **not** a **recommendation**
- 🌐 My next rebalance is in early September
- 🌐 Everything could change then

Regions and countries

- ★ US: 5%
- ★ Developed Europe: 25%
- ★ Japan: 5%
- ★ Emerging Markets: 0%
- ★ Asia Pac 3x: 25%
- ★ China: 5%

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