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The Search for Value in Asian Equity Markets & Methods to Mine those Returns

Senior product and investment professionals from leading private wealth management firms in Singapore gathered for a discussion on the quest for value in Asia's equity markets of today and the appropriate avenues for mining out returns. The off-the-record, private gathering was co-hosted by Hong Kong-based ETF creator and distributor Premia Partners, represented by both David Lai, Partner & co-Chief Investment Officer and Aleksey Mironenko, Partner & Chief Distribution Officer. The get-together of investment experts ranged widely over topics such as the positioning of Asian equities in HNW portfolios, the rising interest again in China, the appeals of Asia emerging and frontier markets, the sectors of greatest interest and most compelling valuations, and the optimal means of accessing these opportunities.

The key takeaways

More country and sector-specific ETFs required in Asia

The universe of ETF strategies in Asia remains limited relative to the many countries and different regions within Asia, and the different phases of economic and national development. More avenues to play the considerable disparity between these different segments of the Asian EM universe would be welcomed.

Alpha's star is waning

Alpha's star might be waning, with some experts contending that beta is today a more compelling and attractive approach. In some major markets, such as China, the flow of news and data is so intensive today that the advantage of the active investors some 10 or more years ago has significantly dissipated. Meanwhile, there are far more passive strategies, including ETFs, and the technology driving the ETFs has evolved markedly, with ETFs structured to offer more alpha by becoming more rule-based and factor-driven.

ETFs preferred where stock picking falls short

Even for those who prefer to exercise their judgement and expertise via stock picking, ETFs can be valuable where either liquidity or opportunity reduce the active investor's edge. This would be more so, should there be a wider range of strategies on offer, but for example ETFs tend to focus on the larger, well-known more liquid stocks, whereas much value is to be accessed via the mid-cap space, especially in ASEAN, and other Asian markets.

Historical patterns being re-drawn

Some of the historical correlations are becoming less distinct. For example, according to one expert, a rising dollar no longer means an EM and gold sell-off, indeed gold and the dollar sometimes both rise at the same time these days. Momentum money appears to dominate over the logic of valuation metrics, and markets that are cheap can stay cheap, while expansive markets can be pushed on by the wall of money, ergo the US markets for example. This is driving increasing numbers of investors to alternatives and market-neutral strategies.

Trends and themes need a medium-term view

The major trends and themes that are dominating the Asian landscape require a medium- to a long-term horizon, which can often be efficiently fulfilled through ETF strategies.

High yield suits the ETF mould

An investor explained that while on the equity side his firm prefers the active approach, for fixed income in Asia, especially in high yield, it is so difficult to access bonds directly due to minimal liquidity, that ETFs, in this case, offer better access, due to broad diversification and therefore mitigation of risk and illiquidity.

Income fits neatly in the ETF format

Stable income flows appear ideal for ETFs and the growing number of REIT ETFs offer interesting, stable means of playing different markets in the region. If the underlying property markets or stock markets also happen to surge, investors will likely enjoy strong appreciation as well as the stable, modest returns of more normalised conditions.

ETFs need liquidity

ETF liquidity, or sometimes lack of, is a central issue for investors. Experts caution that providers of ETFs need to support their creations by optimising trading solutions for their clients. If not, those investors will shy away. In the longer run, as ETFs become more popular in the time zone and as they proliferate in number, the hope is that there will be greater retail participation and therefore more liquidity.

Asia EM offers a universe of opportunity - China first

Irrespective of the many short-term frustrations derived from market nerves and numerous tweets from the US, the China story is still set fair for a consistent long-term story, while capital inflows to the stock markets will improve as the China "A" share market opens to foreign investors. Investors feel that after a few years out of favour, China should be far more in focus than it has been, and that was certainly the case in the first quarter of 2019.

ASEAN's wave of growth

ASEAN also has many attractions and is more diverse. There appear to be three core positive factors - demographics in the form of a young and fast-growing population and rising middle classes producing rising domestic consumption, GDP growth at around 5% that is now very similar to China at 6%, and much improved corporate governance.

Frontier opportunities

It is not only mainstream Asia that appeals to investors, as the story for frontier markets is also solidly in place for the longer term. Vietnam is in the spotlight for a number of appealing features, from government support through privatisation and policy to demographics and the evolution of the country from frontier to emerging market status.

Markets likely to remain more volatile

After the rocky road of 2018 and the big Q1 bounce, what next? Experts appeared wary of making predictions, other than conceding that in all probability volatility will remain considerably higher. Investors should therefore adopt strategies that therefore either look beyond these short-term fluctuations, or by moving to cash or liquid fixed income to ready the cash for downturns in the equity markets.

CHINA, THE CENTRE OF ANY DISCUSSION ABOUT Asia, or indeed anywhere in the world today, was the first market of focus, with one expert noting that he had just returned from Beijing and had been nearly knocked over numerous times by the silent, electric scooters. "How times have evolved from the first days I went there when it was all bicycles," he remarked. "It is representative of the dramatic changes taking place."

He also raised a point of frustration. "We see China with positive fundamentals, momentum, its own strategy, on its own road, representing a great opportunity, and then one tweet from the other side of the world derails the argument for months. I do really wish that Asia could control capital flows and that the marginal investors were not so skittish. So, this year it was the middle of Q1 before they began buying in again."

Long-term story intact

Irrespective of the short-term vacillations, this same expert felt that the China story is still set fair for consistent long-term capital inflows. "Country-specific opportunities need to increase, and generally, I am optimistic about the outlook for Asia, even if the marginal investor still needs some persuading."

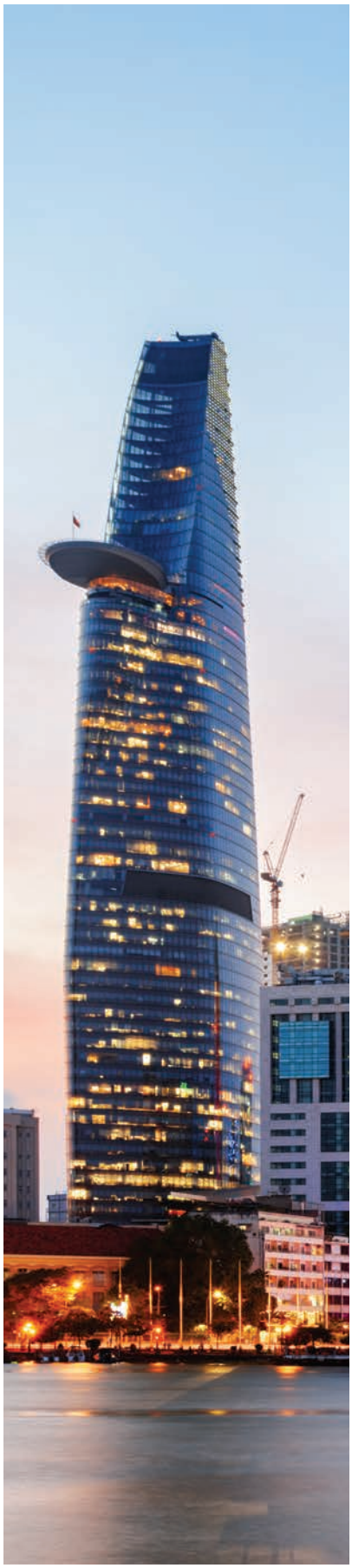
An investor for a major regional Asian bank gave their house view of the Asian markets, as one of buying and selling with some considerable caution in recent months, with a keen eye on volatility. They had, he said, also been buying into structured products, in the form of 'Shark Fin' notes, which are designed to capture some of the upside while protecting on the downside.

He added that fixed income remains core to the bank's strategy with an upgrade of EM high yield this year to date. Looking ahead, his firm's house view remains one driven by caution, waiting for buying opportunities. "As to China," he noted, "our house view is it is still somewhat early, but for the longer-term perspective, the A-share inclusion is an enduring, multi-year theme.

Another expert who handles the distribution of structured products and bonds as part of a global bank explained some key trends his bank is promoting.

Big picture, big brands

"One of them is definitely the broad economic rise across Asia, and seeing that we like for exam-



ple to play China through the global brands, so we look at the rise in demand for anything that you can sell in China, such as Nestle, Unilever and others. And we also like healthcare; even though that sector has not performed that well, the ageing population offers great upside. We also like the fintech disruptors, such as those offering payments solutions, where China is the frontrunner."

He remarked that from his perspective, these themes can then be played with varying degrees of upside and also various degrees of protection through different types of structured products.

Another expert observed that the downturns in China markets related to tweets from the US should be primarily viewed as buying opportunities, as the longer-term view is very positive.

DAVID LAI
Premia Partners

Another guest concurred, citing Vietnam. "We have been on the ground in Vietnam for years, we are currently looking at some opportunities in the financial sector and in the infrastructure sector," he reported. "We need time because our route is private investment, so we work with the local partners. Vietnam is definitely our top choice as an investment destination for private investment, but we are also looking into opportunities in the Philippines, not from a stock valuation perspective but more from an infrastructure perspective with regards to investing in areas such as green tech and waste treatment. Our rule of thumb is the project IRR has to be at least 15%, but with some leverage, we can get up to a 20% to 25% IRR."

"We actually mostly invest directly in individual shares," he explained, "due to a strategic decision in the past six months to reduce our beta exposure now and load up on idiosyncratic risk and alternatives."

Frontier markets shine

The story for frontier markets is also solidly in place for the longer term. "Whatever headwinds they have in the nearer term," said one expert, "the greater picture is optimism." Accordingly, he indicated that he would ride shorter-term downturns with modest to little change in allocation. "We actually mostly invest directly in individual shares," he explained, "due to a strategic decision in the past six months to reduce our beta exposure now and load up on idiosyncratic risk and alternatives."

ALEKSEY MIRONENKO
Premia Partners

ASEAN's populous markets beckon

Looking further afield around Asia, an expert felt that the Philippines might surprise this year, although it has been ignored for the past two or more years. "There are some good stories in the Philippines, not just the usual major corporations, but more broadly as well," he said.

A guest highlighted Indonesia, noting that throughout most of 2018 she had almost zero in ASEAN but in late October last year shifted about 20% of the assets into Indonesia. "I realised that the oil prices had peaked around that time as did US interest rates," she explained. "The investment decision then moved in line with MSCI Asia ex-Japan, until the end of December, when our Indonesian allocation went from 20% of the whole portfolio to over 30%."

She added that she had further also boosted exposure to the value she sees in SE Asia. She also increased exposure to the Philippines, while reducing China and moving money into Singapore and Malaysia, as well as focusing on the region's construction sector.

"But while you can add a lot of value by this bottom-up approach," she remarked, "it is very tiring and onerous, whereas if there are some big-picture trends out there, it is easy to sell that in an ETF format, or in a country fund, to clients. Ok, we don't make much money in it, but it does achieve volume."

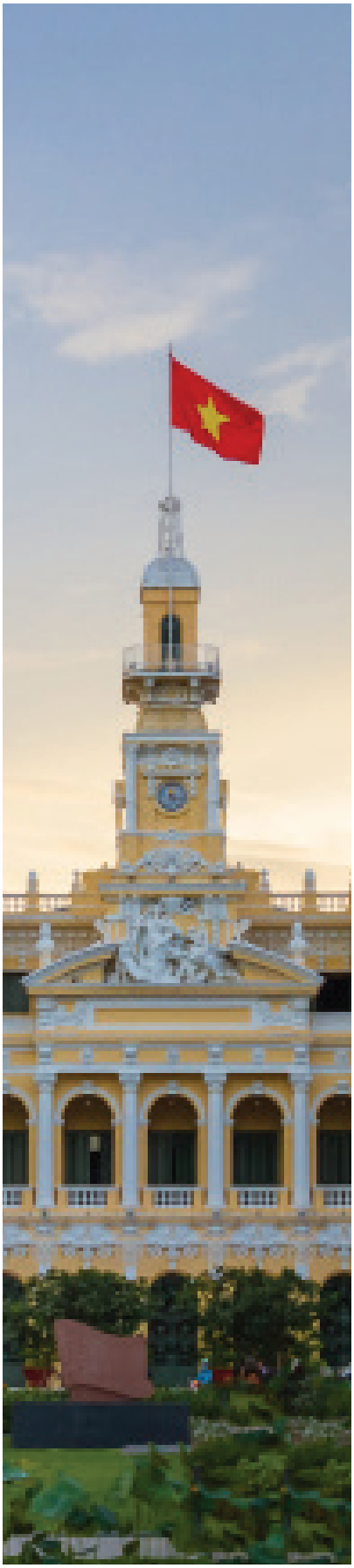
Another guest noted that labour costs in ASEAN are also at a discount to China. "Thailand about seven years ago was on par with China," he reported, "and today at a 30% discount roughly. Vietnam is about 60% to 70% lower, the Philippines as well. The infrastructure needs in these Southeast Asian countries are also expanding rapidly to help support the new factories and facilities in the region."

But at the same time, he said that parts of China are faring well. "Yes," he said, "some of the low-cost manufacturing is definitely moving out, but those who survive and remain are winning more orders, with more value-added, so margins are improving. Textile businesses for example, now trade at a higher multiple, because they offer higher margins to investors and better growth."

Central bank support

Another expert focused his attention on high yield. "We like Asian high yield, but also high yield anywhere in the world, which is going to get bailed out by central banks, as they are cutting interest rates, producing more quantitative easing. We feel that by the end of the year equities are in trouble."

A guest remarked that as China had gone up so robustly, his firm had cut back exposure there, and had increased risk in India, linked to the national elections, which he said typically bolster



market performance there. And he reported his firm is overweight in investment grade bonds, moving away from risk and also building up cash as firepower ready for the markets to pull back. "Markets will remain more volatile," he predicted, "opening up opportunities to employ the firepower we are building up."

Plenty of targets, so choose your weapons wisely

The discussion moved decisively to the methodologies for approaching and accessing these opportunities. An investor began this phase of the discussion by voicing his opinion on passive versus active strategies, based on research his firm had conducted some years ago on the access to different asset classes around the world.

For emerging markets, he opined, it appeared investors should be in ETFs on the way up, as people tend to pile in to obtain exposure, and in actively managed assets on the way down, as selectivity and quality generally temper the rate of descent. "But as a general view," he commented, "we do need more ETFs, and more country-specific opportunities, because of the considerable disparity you tend to get between different parts of the EM universe."

Active or passive, alpha or beta

Another voice explained that a study his firm had conducted in 2016 showed overwhelmingly that alpha was no longer so interesting for many investors and that beta had become a more compelling protocol. "It appears that people," he remarked, "would often rather take a 4% return than take a chance of a 30% return but perhaps risk ending up making only 2%. Accordingly, we have seen providers such as Vanguard growing massively along with the ETF offerings."

Premia's Lai observed that there is indeed a huge opportunity to participate more effectively in the Asian markets, which in general offer excellent growth potential. "Getting beta exposure to Asia is ideal as it plays to the real demand that is out there," he commented. "We do see that in China, for example, there has often been over-reaction by investors on both the buy and sell sides, quickly becoming too optimistic or too pessimistic, but there is a big area in-between. Moreover, people should focus more on internal factors rather than always being so dominated by external factors. The government there is reacting well in terms of its policy and is considerably more investor-sensitive nowadays in their dealings with liquidity internally and with the stock market. Beta is a smart way of playing these trends."

He added that some 10 or 20 years earlier there were fewer people doing research on the

China market, making it easier to outperform as an active manager. But today, he remarked, at every release of annual corporate results the rooms are packed to the rafters, while news flows are more detailed, more frequent and timelier, reducing the leverage the active manager has on that information.

At the same time, the passive industry focusing on China has evolved, and stock picking is far broader than just the major stocks, Lai added. Moreover, the approach of passive ETFs has evolved -it is now more rule-based, rather than market-cap based, and includes more factors, allowing greater expression of investment views in the portfolio. The result, he concluded, is that the lines of delineation between active and passive are now less rigid, with more alternative options on offer.

Which road(s) to take?

The discussion then mined down further into the relative appeals of ETF or other avenues to access the themes and opportunities available in Asia. As it quickly emerged that many in the room were not yet so involved in ETF investing, the question was posed as to why this should be, and whether there might be an underlying philosophical belief that active funds can still outperform in Asia.

"We are agnostic as to the instrument that we use," came one voice, "and more interested in the efficiency and the accuracy of what we are trying to capture. In Asia, we use ETFs if we don't feel that we have an edge in picking stocks. In Southeast Asia, we could see more traction in ETFs if there was a better range of quality product."

A representative from a family office remarked that many of his clients in SE Asia have plenty of exposure to assets at home and are seeking global investments. "China is becoming an ever-bigger part of that global experience," he noted, "but the investment experience there thus far has frankly been rather fraught, with investors suffering blows from great volatility in the markets. Moreover, stock selection has become very difficult over the last few years, whereas up to about 2017, it was easy, like throwing darts in the air and landing on opportunities to make money."

Do the old rules no longer apply?

Then came a difficult 2018, he noted, when people took a lot of losses. "Today," he observed, "wherever you are managing money, and however you access opportunities, you must be aware that many of the correlations that worked in the past do not work in today's environment. For example, historically, a rising dollar means an EM sell-off and gold sell-off, but these days, both gold and the dollar can rise at the same time. It leaves you scratching your head, especially when you find that you buy stocks or markets thinking they are cheap and they

stay cheap, while the expensively priced assets get even more expensive, look at the US for example."

China, for example, he added, looked like great value in 2018 and people suffered the consequences. "At the worst point in December," he recalls with displeasure, "losses were huge. OK, there was the big Q1 rally, but many investors were left shaking after 2018. Accordingly, many of our clients have been moving more into alternatives, to market neutral strategies, fixed income, and we now have little equity exposure, although we do use ETFs for access to certain markets such as India, or Korea."

Momentum taking over

His final comment was that money tends to increasingly move on momentum these days. "Life as an active fund manager used to be considerably easier, I must say, but today you take a shower, someone makes a comment or a tweet somewhere across the globe, and everything goes upside down. Look, after all, we have a diverse array of experts here today, and we are still all trying to figure it out."

Another investor commented that his firm's approach is to target returns with minimal volatility. "We do not care about the 'how' of the access," he remarked, "and we can buy ETFs where there is a strong macro theme expressed, and if it is the lowest cost, but we have ourselves found that a bottom-up, active approach in SE Asia and China in recent years yields better performance. ETFs tend to focus on the larger cap stocks, but we find lots of ideas in the mid-cap space, where companies are growing fast and are solid and offer good value."

Beta with alpha characteristics

Premia's Mironenko remarked that there are plenty of opportunities in Asia for alpha generation, but said they do not necessarily have to be captured through single stock positions, they can instead be captured through much smarter index design. "For example, and forgive this pitch, our China 'A' share strategies have a quality tilt in them, they have a value tilt in them, and they have volatility controls in them. It is still an ETF, still low cost, still transparent but it is not the index, not a CSI300."

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He also observed that the big trends and themes require a medium- to a long-term horizon that can be fulfilled through ETF strategies. "That is the case for China and our new economy ETF," he said, "so it is not a two-month trade, it is more medium-term. China is changing structurally, so for example 10 years ago consumption only accounted for 38% of the GDP growth, but last year the number was 78%, so it is the major driver for GDP now. The government is still closely involved in the economy, yes, but there is similarly a lot of entrepreneurial, private enterprise thrust mobilising investments and evolving the economy."

China new economy, his colleague Lai added, is a beneficiary of all this as it is focused on healthcare, consumption, technological advancement, industrial processes such as robotics and automation.

Playing the themes

"All these themes," he commented, "are there for the years to come. Moreover, the Chinese government will press even harder for growth in IT, in home-grown technologies, so we expect to see more supportive policy as well. Add to all this the MSCI changes and the increased participation of foreign investors, and the inflows again will take place over the medium-term, for example, six to seven years based on experience from other markets."

Similarly, the Premia ASEAN ETF strategy, Mironenko remarked, has some quality and value tilts incorporated. "Does it outperform by 10%?" he pondered. "No, absolutely not, it outperforms by 2% or 3% over the long run, and more specifically it offers a growth exposure in ASEAN, ex Singapore but including Vietnam. We spend a lot of our time trying to figure out what the right exposure is for the Asian environment. There is a trade-off between being more active and therefore potentially having liquidity problems, or being plain beta."

Another expert observed that while a lot of the active managers will want to have access to mid-cap in ASEAN, due to tremendous market growth, the liquid-

ity is not available to easily buy into it. A fellow attendee agreed, remarking that, for example, a good-quality ASEAN mid-cap strategy would be welcomed.

High-yield ideal for ETFs

Another investor explained that while on the equity side his firm prefers the active approach, for fixed income in Asia, especially in high yield, it is so challenging to access bonds directly due to minimal liquidity, that ETFs, in this case, offer better access. They are well diversified - a single bond issue might be as little as 2% of the pool - and can, for example, offer the 7.5% type high-yield return but with low volatility.

Vietnam moves centre stage

With that, the discussion turned to Vietnam and Premia's forthcoming strategy there. "We looked at ASEAN and Vietnam and saw that from the demographic angle, ASEAN is not suffering the same ageing society issues that Korea, Japan, and even China are already facing," explained Mironenko. "That is why we also included Vietnam in our ASEAN strategy. But then clients asked us to think about a direct Vietnam strategy and we believe that with 6.5% expected growth this year, with many new investments coming into the country and as a means of staying away from the US-China trade frictions, Vietnam is ideal, especially with an average age of about 28 years old, and with some 90 million people already."

Premia sees plenty of positive attributes that encourage the firm to be increasingly positive about the country. Politics for example, as the Vietnam government is trying to privatise more assets going forward via IPO. The equity market size is now only 60% of GDP, but the government has a target to raise that in 2020 to 100% and by 2025 to 120%.

Growth will be faster than in broader ASEAN. Regulations are liberalising to allow more foreign money in and reduce limits by the end of this year, and FTSE has already highlighted Vietnam as an upgrade from a frontier market to an emerging market. All this will also increase foreign investors' interests in investing in the Vietnam market.

There are lessons to be learned in relation to China. If, for example, in the next decade Vietnam behaves similarly to its and China's past, it will benefit from growth of ~ 7% every year, according to Lai. He added that although a frontier market currently, it has great potential, similar to China 'A' a few years before the inclusion by MSCI. Vietnam is now on the FTSE Emerging Markets watch list and potentially also MSCI in the coming years.

But as Vietnam is still a small, illiquid market with foreign ownership limits, and a difficult brokerage account opening process, Premia firmly believes the time is right for low-cost access via an ETF. "We will launch that in coming months," Lai told the guests.

Yield is valuable

Another attendee explained that his firm had been shifting significantly from active to passive and had in the past three years launched three ETFs since October 2016, two REIT ETFs focused on Asia Pacific and Singapore and one income ETF focused also on Singapore. "The markets have been up and down in this time," he remarked, "but these ETFs have returned consistently close to 10% compounded annually." He added that he believes that

Singapore, which has lagged the region in terms of performance in the past decade, will before long see a marked improvement on the upside.

Similarly, investors beyond Singapore are also looking for yield, particularly as cash balances rise. With late stage of cycle cash levels rising, investors are looking for yield without taking undue credit or mark-to-market risk, according to Premia's Mironenko. "Alongside our Vietnam offering, we'll be introducing a 0 credit risk, 0 counterparty risk, 0 withholding tax and nearly 0 duration (1 week) strategy that has a current yield of ~2.5%. The exposure is floating rate treasuries, a relatively new but liquid security type that has been around since 2014. Importantly, since the Fed Funds Target Rate left 0, there has not been a negative month yet in this exposure. It may not be the yield of REIT, but it solves the problem of yield without undue risk at a time of growing cash balances and the resulting cash drag, which is key for investors who building their dry powder for future use."

Are Asian ETFs sufficiently liquid?

The discussion also covered the question of liquidity in relation to ETFs, which Premia's Lai said was always a burning issue for ETF investors.

"Generally," he said, "there is no difficulty in trading within 24 hours, but more immediate trades can be tough as at least here in Asia there is simply not enough retail trading. We therefore offer a dedicated team of people whose entire job is to help our clients buy and sell our ETFs. If they buy and then struggle to get out, they won't be buying it again."

He elucidated, explaining that there is a price for the trade related to size and liquidity. He reported that this is currently about 40 or 50 basis points to get in and out of the two China ETFs up to USD200 million US for a single trade, while Vietnam will probably be closer to 1% and not more than about USD30 million a day. Meanwhile, he added that the ASEAN ETF right now cost about 60 basis points and single trades of about USD60 million are possible.

The discussion closed with guests appearing to agree that the universe of opportunities in Asia is as varied today as at any time in the past several decades. The challenge now, it would appear, is selecting the right markets to focus on in a world increasingly driven by momentum rather than valuation metrics, and also whether to access those opportunities directly in active strategies, indirectly through ETFs, or in a structured manner through derivative instruments, or perhaps an approach encompassing all three of these avenues...

Premia Stakes Claim in Asia's Future with its Growing Range of Dedicated ETF Strategies

ETF creator and smart beta proponent Premia Partners (Premia) is on a fast-track to growth and prominence. In a mere 16 months since it launched its first product from its headquarters in Hong Kong, the firm has built a 20-person team, overseen by four partners, to focus in a dedicated fashion on delivering Asian beta. In addition to Asian beta, Premia partners with WisdomTree, a leading global ETF manager, to offer smart global beta solutions to Asian investors across equities, fixed income, commodities and even foreign exchange.

Although Premia is relatively youthful, the firm is already set to burst into the top 10 of ETF providers in Hong Kong by assets. The firm's ideology is to offer investors a vision of "smart investing", aiming to create a reliable, curated ecosystem that is conducive to ETF investing, optimised with the best technologies, tools, and platform. This all adds up to the bold yet straightforward goal to reshape the landscape for ETFs in Asia.

Selling smart beta

Smart Beta is not only a way to achieve higher returns than the traditional index approach, but it also relieves the investors from the task of scouting for efficient active managers. Smart beta does a job similar to that of an active manager but at a much lower price, the firm believes, which itself is another reason why it is more economically beneficial for investors. Based on current trends, Premia maintains that factor investing is a key growth area in the ETF industry right now.

Picking insights from different geographical markets, Premia's team ko says that factor investing as a concept looks very similar in China to the US, but the former will deliver higher growth above market cap indices as it's a much less efficient and less developed market.

Premia's fab four

Premia today offers investors four ETF strategies, all of which are listed on the Hong Kong market. In brief, these include two China ETFs, both offering specific smart-beta exposure, one to the country's traditional economic sectors and the other targeting new economy companies. And two broader Asia strategies, one an Emerging ASEAN growth strategy, the other an Asia Innovative Tech strategy.

The Premia CSI Caixin China Bedrock Economy ETF, which is the "traditional economy" A-share ETF, offers broad exposures, tilted toward value, quality, accounting conservative and low volatility stocks.

The Premia CSI Caixin China New Economy ETF offers access to China A "new economy" stocks and is tilted toward asset-light, accounting conservative and quality growth stocks and has outperformed comparable alternatives, including ChiNext, since its creation just over one year ago with less volatility.

The Premia Dow Jones Emerging ASEAN Titans 100 ETF targets the under-invested ASEAN economic growth region that is outperforming broad EM in terms of growth. It is the only beta strategy globally offering exposure to ASEAN growth economies, a dynamic non-China, non-India Asia growth story.

Finally, the Premia Asia Innovative Technology ETF buys into Asian innovator stocks and is, Premia maintains, the only beta strategy directly targeting revenue in Asian robotics/automation, biotech & digital transformation sectors. This is therefore a thematic strategy to benefit from Asia's transition away from a manufacturing hub to a services and innovation hub for the world.

The EM stars align

Premia's team believe 2019 will be very interesting as many of the negative elements affecting EM in 2018 are being reversed and many of the leading investment banks and research houses are backing EM to outperform.

There are three core reasons the firm sees. Earnings are growing at a similar pace in the EM space to the US market. Valuations are compelling - even after the rally of early 2019, overall EM remains at only about 12 times PE and less than 1.5 times price to book, which is relativity cheap on the overall history of the EM sector.

And the currency trends are favourable. Most think the US interest rate cycle is on pause, and after the US Federal Reserve stopped raising rates last autumn, the overall EM currency universe bounced about 6% from the bottom, with many estimates considering that they remain at a fair value discount of between 12% to 23%.

The result of all these factors, Lai reported, has delivered clear equity market outperformance for EM since the currency cycle reversed in September last year. EM has bettered the S&P 500 by 5.5% from that time until early May 2019.

Within EM, the China story is well known, but the ASEAN markets also have distinct appeal. There appear to be three core factors that are positive for the markets there, of which the first is demographics, a young and fast-growing population and rising middle classes, rising domestic consumption. Secondly, GDP growth at around 5% is now very similar to China at 6%, whereas the gap for many years was 10% versus 5%. And governance has improved remarkably, to the point where they are heading towards the high end similar to Korea, Taiwan and China.