
Why Emerging Markets?

January 2024



You Should Not Turn Your Back On Emerging Markets⁽¹⁾

6.8B

People within emerging markets⁽¹⁾

58%

Emerging market's share of global GDP⁽¹⁾

+60%

Contribution to past decade of Global GDP growth⁽¹⁾

2x

EM long run GDP growth rate is more than double DM's long run growth rate⁽¹⁾

143%

Increase in globalization and interconnected since 1970⁽²⁾

50+

Year historic low for EM equities relative price discount to US equities⁽³⁾

\$50T+

Opportunity of emerging market GDP growth through addressing unmet needs⁽⁴⁾

~4x

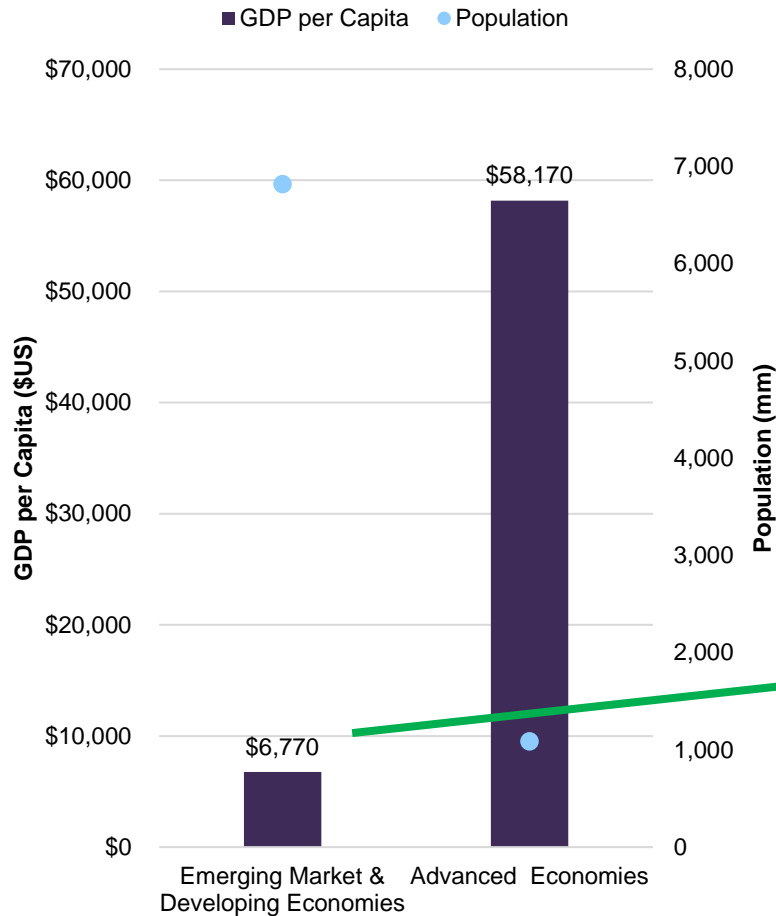
Emerging markets earnings per share growth rate versus developed markets⁽⁵⁾

Emerging markets are large, secularly growing, trade at attractive valuations, and hold a wealth of opportunity - US\$50T+ of emerging GDP growth with 4x EPS growth

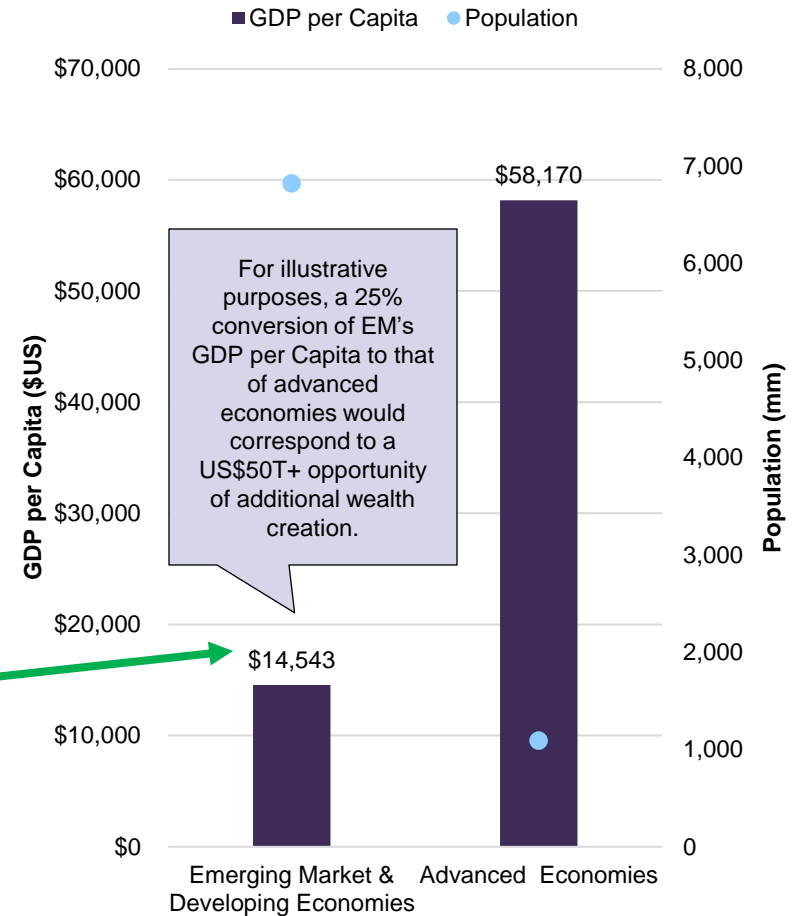
1. IMF, 2023. Contribution based on PPP; billions of international dollars, current prices.
2. Worldbank, percentage increase in global exports of goods and services as a % of GDP. This has increased on average 1.9% per year from 12.7% in 1970 to 31.0% in 2022.
3. Bank of America
4. Letko Brosseau estimates, IMF, US dollars, incremental GDP growth, assumes GDP per capita of emerging economies converge to a mere 25% of advanced economies.
5. Bloomberg, 2023-2025 total earnings per share growth estimates of the MXWO (MSCI World) and MXEF (MSCI EM) index.

The \$50T Emerging Market Wealth Creation Opportunity

EM versus DM Population & GDP Per Capita (2023)⁽¹⁾



A 25% GDP per Capita Conversion To Advanced Economies (20XX)



For illustrative purposes, converting 25% of EM's GDP per Capita to match that of advanced economies could unlock a wealth creation opportunity exceeding \$50 trillion.

1. IMF, US dollars, LBA Estimates

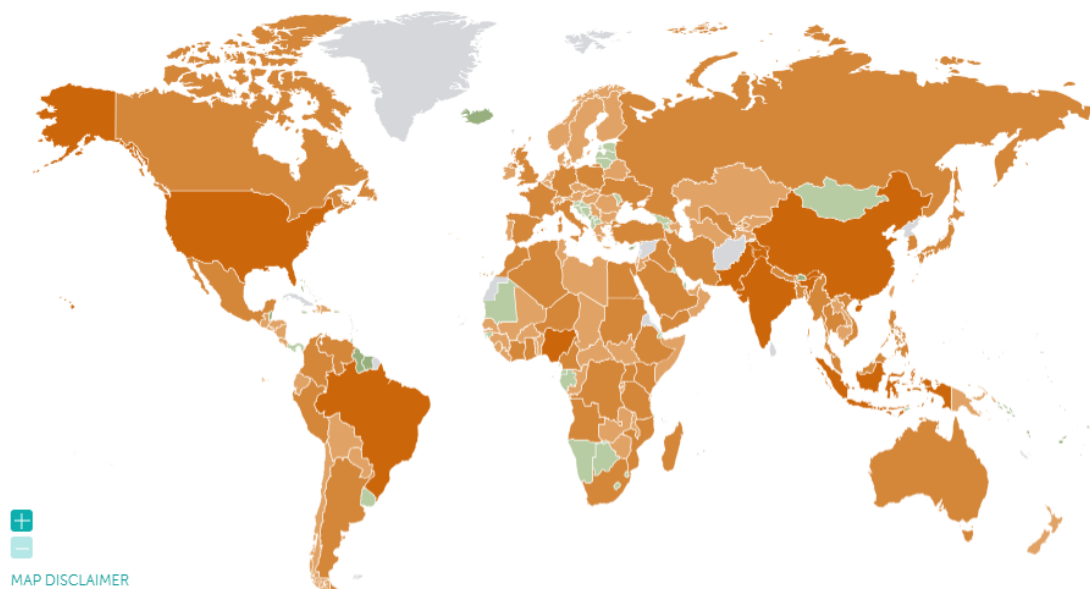
Emerging Markets Encompass The Majority of Global Population⁽¹⁾

Population ⁱ

Millions of people

MAP (2023)

● 200 or more ● 25 - 200 ● 5 - 25 ● 1 - 5 ● Less than 1 ● no data



MAP DISCLAIMER



2023

LIST (2023)

Country	Region	Analytical group	
Analytical group ^			Value
World			7.84 thousand
Sub-Saharan Africa			1.14 thousand
Other advanced economies			175.99
Middle East and Central Asia			848.6
Major advanced economies (G7)			776.2
Latin America and the Caribbean			639.6
European Union			446.35
Euro area			347.31
Emerging market and developing economies			6.75 thousand
Emerging and Developing Europe			364.5
Emerging and Developing Asia			3.76 thousand
ASEAN-5			499.23
Advanced economies			1.09 thousand

Emerging market and developing economies represents 86% of global population

1. IME

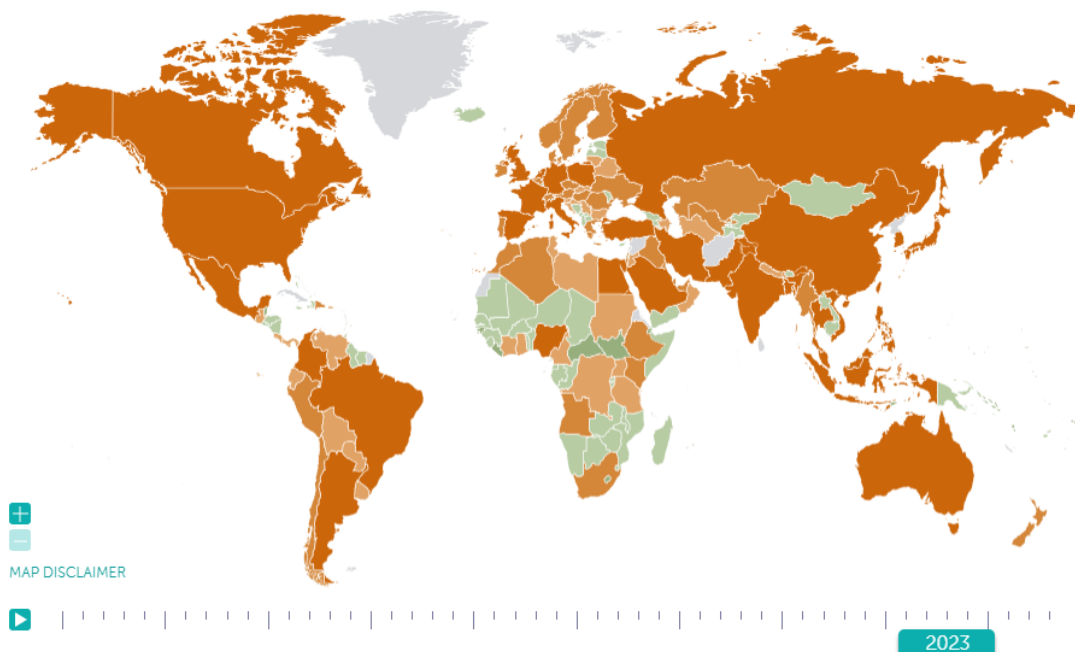
Emerging Markets Encompass Majority of Global GDP⁽¹⁾

GDP, current prices ⁱ

Purchasing power parity; billions of international dollars

MAP (2023)

● 1000 or more ● 250 - 1000 ● 100 - 250 ● 10 - 100 ● under 10 ● no data



LIST (2023)

Country	Region	Analytical group	Value
Analytical group ▼			Value
Advanced economies			71.92 thousand
ASEAN-5			9.23 thousand
Emerging and Developing Asia			58.5 thousand
Emerging and Developing Europe			12.93 thousand
Emerging market and developing economies			102.87 thousand
Euro area			no data
European Union			25.43 thousand
Latin America and the Caribbean			12.81 thousand
Major advanced economies (G7)			52.3 thousand
Middle East and Central Asia			13.13 thousand
Other advanced economies			11.62 thousand
Sub-Saharan Africa			5.5 thousand
World			174.79 thousand

Emerging market and developing economies represents 58% global GDP

1. IMF, based on PPP, share of world

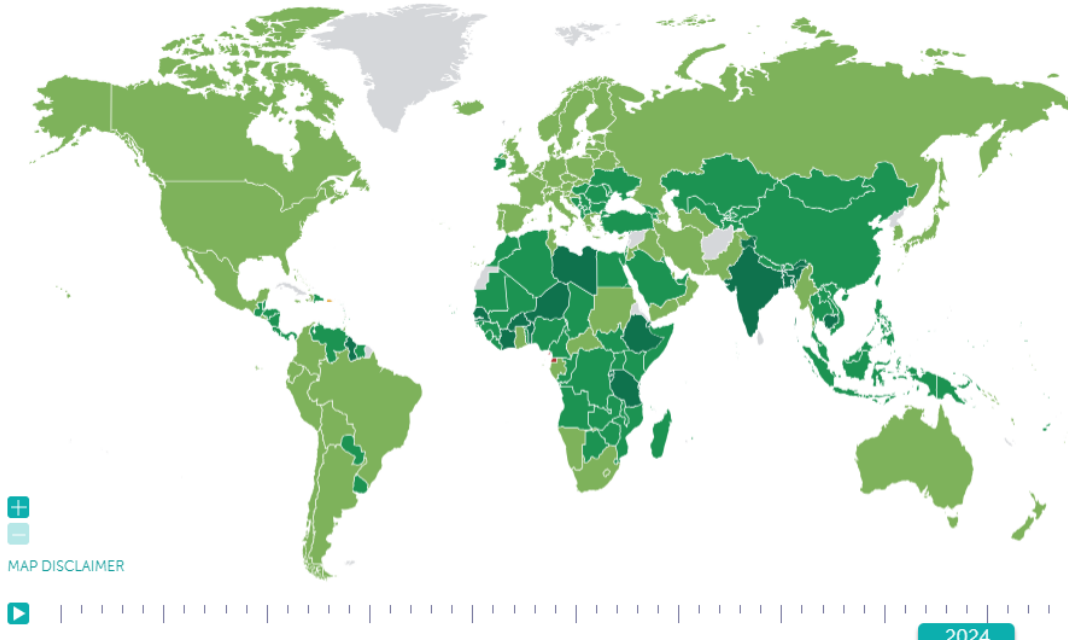
Emerging Markets Have The Highest Long Term GDP Growth⁽¹⁾

Real GDP growth ⁱ

Annual percent change

MAP (2024)

● 6% or more ● 3% - 6% ● 0% - 3% ● -3% - 0 ● less than -3% ● no data



MAP DISCLAIMER

LIST (2024)

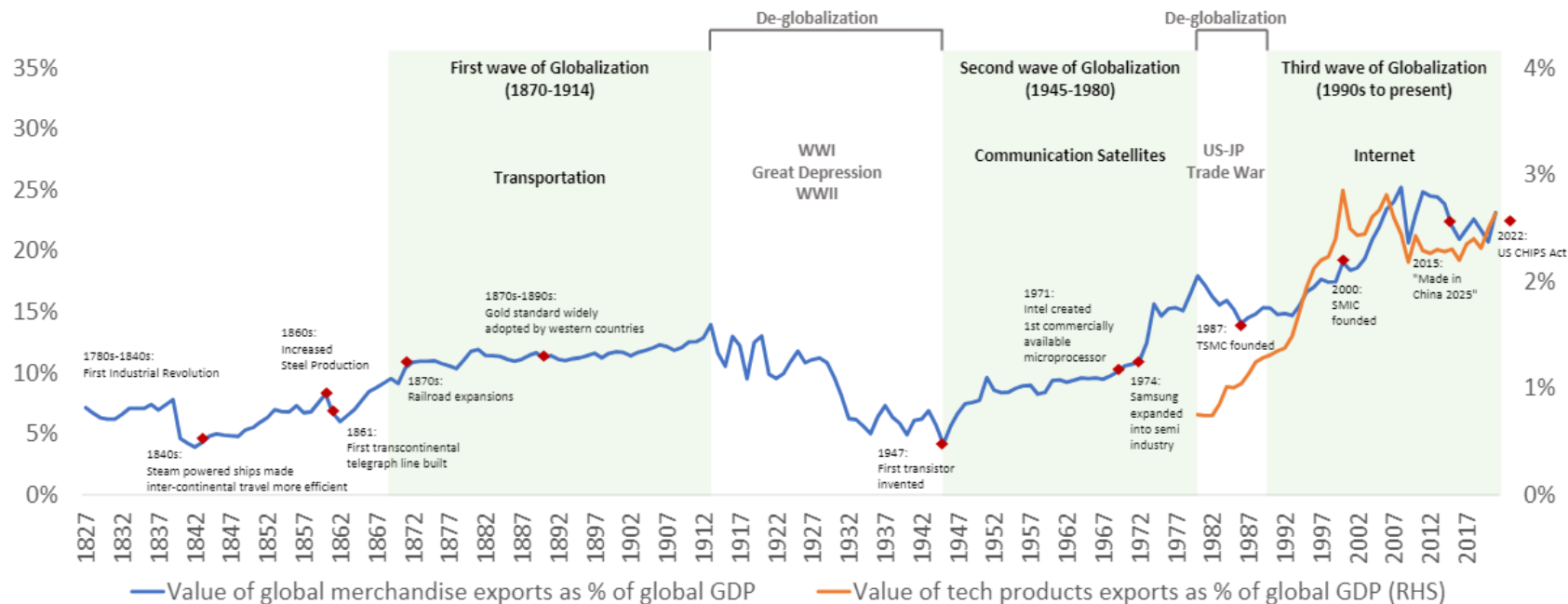
Country Region Analytical group

Analytical group	Value
Advanced economies	1.4
ASEAN-5	4.5
Emerging and Developing Asia	4.8
Emerging and Developing Europe	2.2
Emerging market and developing economies	4
Euro area	1.2
European Union	1.5
Latin America and the Caribbean	2.3
Major advanced economies (G7)	1.2
Middle East and Central Asia	3.4
Other advanced economies	2.2
Sub-Saharan Africa	4
World	2.9

Emerging market and developing economies long-term real GDP growth is +2x advanced economies

1. IME

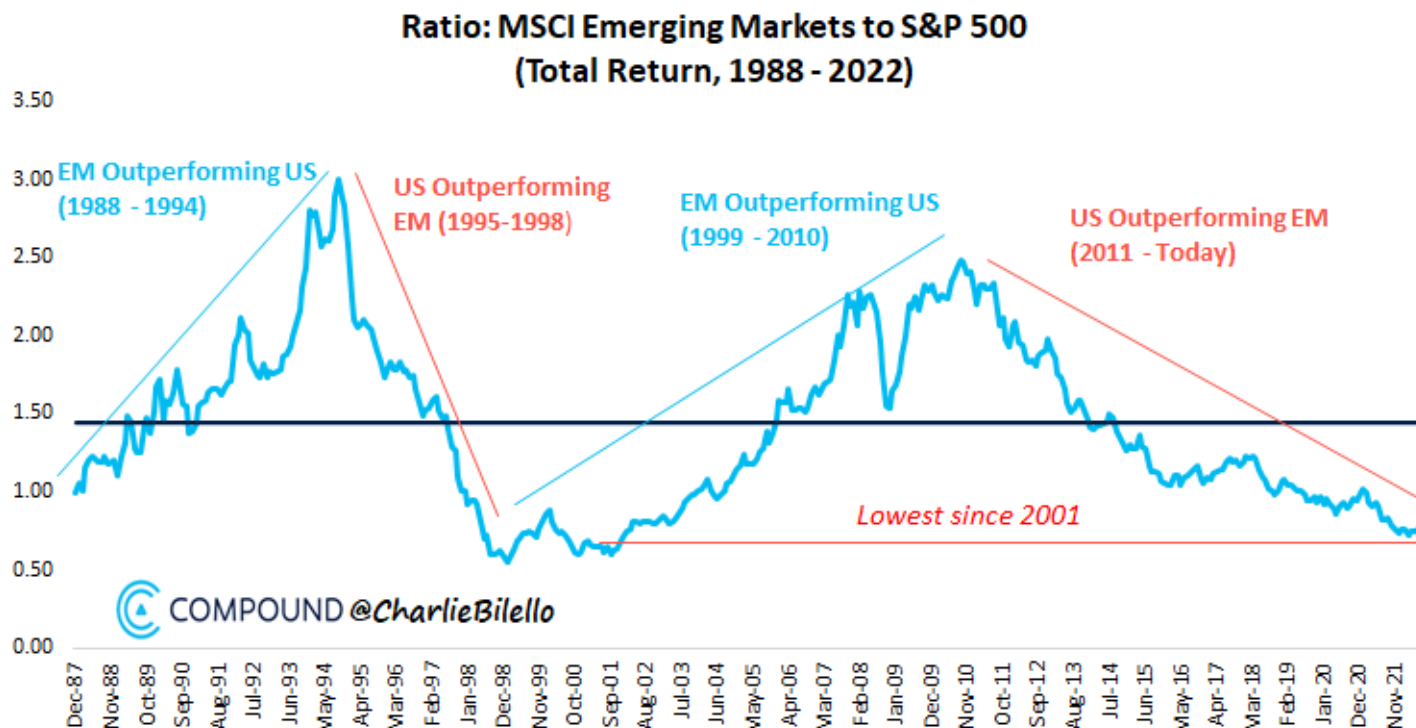
Globalization Is A Long-Term Secular Winner⁽¹⁾



We see examples of deglobalization, but supply chains are complex, and countries do have comparative advantages (TSMC, Samsung, HK Hyneix) implying the world will continue to be interconnected.

1. [WTO](#), [Worldbank](#), [CEPII](#), [Morgan Stanley](#)

EM Relative Performance Has Been Cyclical



Period	MSCI EM Total Return	S&P 500 Total Return	Differential
Jan 1988 - Sep 1994	599%	133%	466%
Oct 1994 - Jan 1999	-44%	202%	-246%
Feb 1999 - Sep 2010	392%	10%	382%
Oct 2010 - July 2022	28%	357%	-329%

Since inception, EM markets have outperformed US markets though there are notable periods of underperformance and outperformance.

US Markets Are Concentrated, Why Not Add Some EM?



US equity market concertation is close to a historic high, adding emerging markets exposure is a prudent risk management strategy.

EM Stocks Are Incredibly Attractive⁽¹⁾

Chart 7: EM equities vs. US equities at 50-year lows

EM equities vs US equities – relative price (US\$ terms)

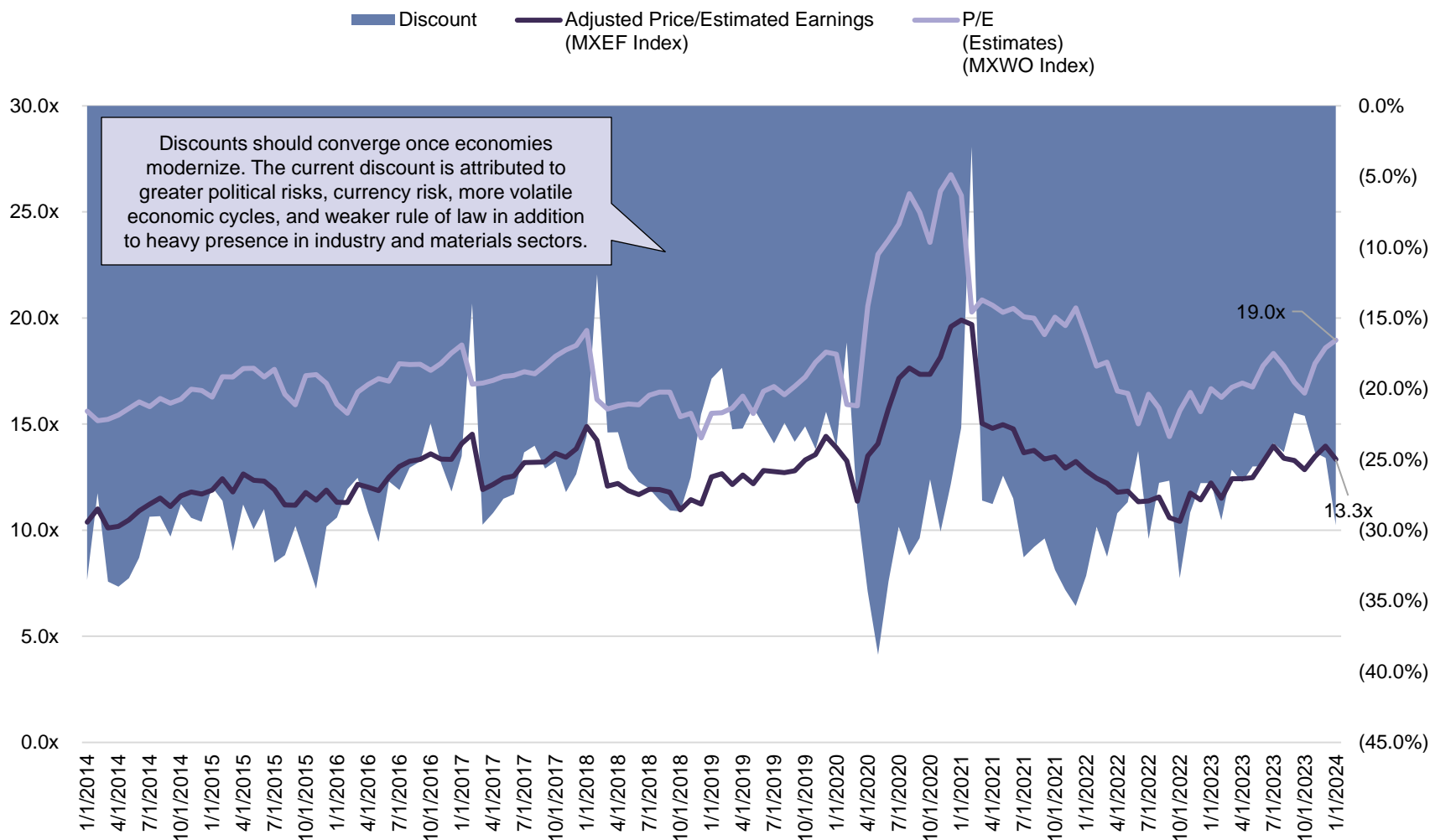


Source: BofA Global Investment Strategy, Bloomberg, Global Financial Data

EM Stocks are the cheapest they have been in 50+ years.

1. [Barchart](#)

EM Stocks Are Incredibly Attractive⁽¹⁾



EM Stocks have historically traded at a 27% average discount to the MSCI World Index. Average PE of EM stock is 12.9x versus MSCI World at 17.7x.

1. Bloomberg, LBA

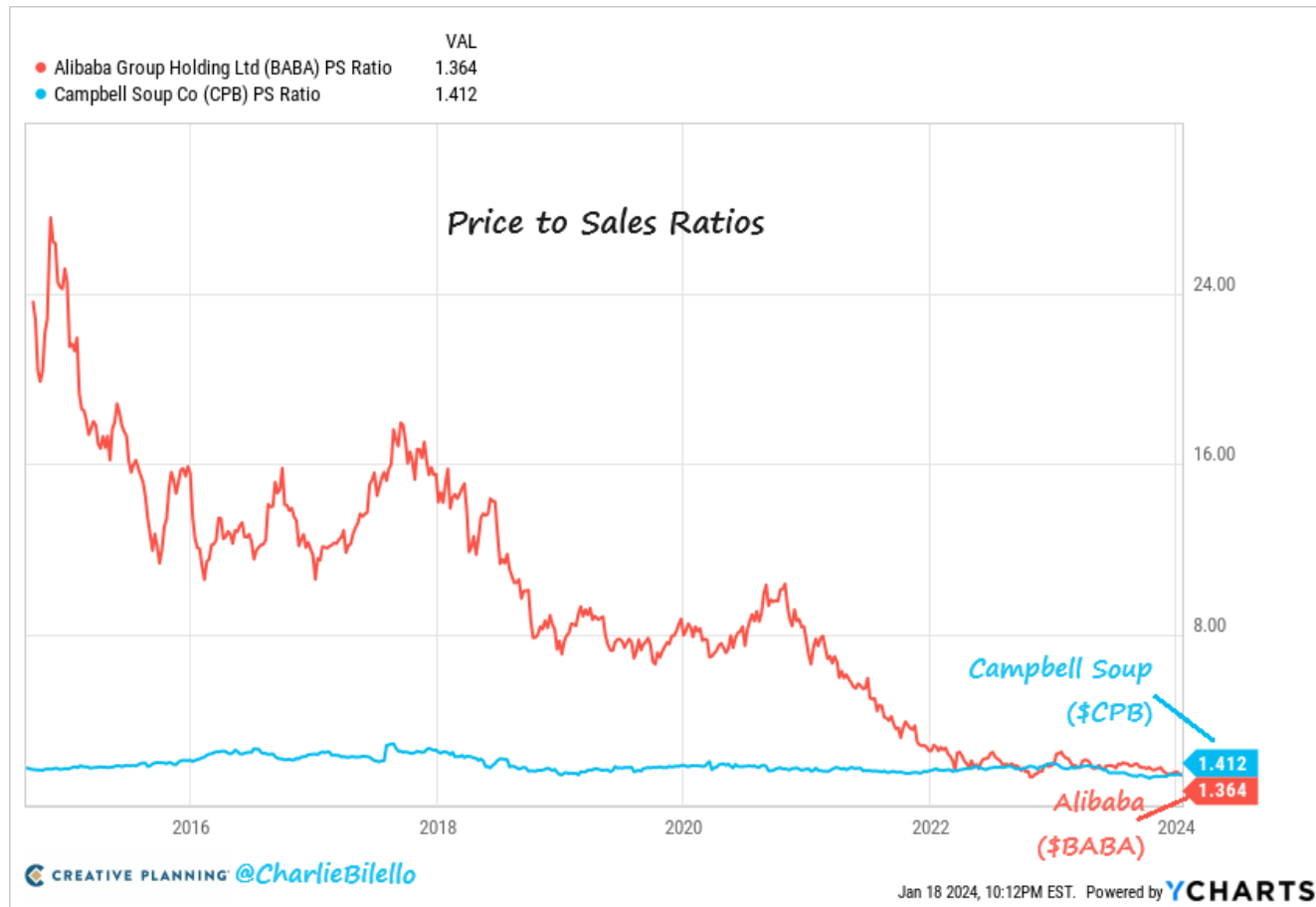
Some Indexes Are Incredibly Attractive⁽¹⁾



The Hang Seng Index's P/E is now below the Nasdaq's P/B. Those two valuation ratios should not even be anywhere close one another. There are incredible opportunities

1. [Otavio Costa](#)

Some Stocks Are Incredibly Attractive⁽¹⁾



Ali baba trades at a P/S ratio as low as Cambell's soup, but instead of selling soups, Baba has one of the largest cloud computing franchises in the world with over \$11B USD of revenue and growing at a healthy rate

1. [Charlie Bilello](#)

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