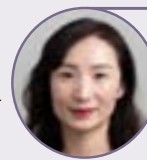




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# Value Approach to Emerging Markets Investing

*Investing in emerging markets can yield substantial rewards, but it's also accompanied by heightened risks stemming from political instability, currency fluctuations, and less transparent markets.*

Adopting a value approach to portfolio management can help mitigate some of these risks, while positioning for potentially lucrative returns. Here's why pension consultants, financial intermediaries, and institutional investors should consider a value approach when venturing into emerging markets:

Emerging markets are often characterized by lower efficiency, where stock prices may not always fully reflect available information. This inefficiency presents value investors with opportunities to identify companies whose market prices are misaligned with their intrinsic value. By investing in these undervalued assets, investors can potentially realize substantial returns as the market corrects and aligns prices with the true value of these companies.

		Investment Style		
		Value	Core	Growth
Capitalization Size	Large Cap			
	Mid Cap			
	Small Cap			

Furthermore, value stocks in emerging markets offer diversification benefits by presenting a lower correlation with growth stocks and developed market equities. This characteristic can reduce portfolio volatility, sometimes serving as a hedge against global market downturns. Investing in undervalued stocks with solid fundamentals shields against the inherent volatility of emerging markets, making value investing a prudent choice for navigating these unpredictable environments.

The attractive valuation levels of value stocks in emerging markets, often overlooked by the market, provide a margin of safety for investors and potential for significant appreciation as market mispricing is corrected.

**“...inefficiency presents value investors with opportunities to identify companies whose market prices are misaligned with their intrinsic value....”**

Additionally, value stocks can possess higher dividend yields, providing a potential for steady income stream and a buffer against capital loss—particularly appealing for long-term investors.

A value investing approach inherently favors companies with strong balance sheets and growing recurring earnings—essential qualities for thriving in the less predictable emerging markets. These companies stand to benefit from the rapid economic development that is inherent in emerging markets, offering substantial long-term growth prospects. Emerging markets experience more pronounced cyclical phases compared to developed markets, allowing value investors to strategically purchase stocks during market troughs, typically when investor sentiment is typically at its lowest and stocks are more attractively priced. This cyclical nature enhances the potential for value investments to outperform as markets rebound.

The investment philosophy of Letko Brosseau aligns seamlessly with the principles of value investing in emerging markets. Committed to safeguarding and responsibly growing clients' assets, Letko Brosseau prioritizes ethical action and client interests. Our investment strategy hinges on a deep understanding of global economic resilience and the opportunities arising from market inefficiencies, especially in emerging markets. Our team of investment professionals, including emerging market equities specialists, operates under a unified investment philosophy emphasizing long-term growth, risk management, and the identification of undervalued assets.

**“...value investing inherently favors companies with strong balance sheets and growing recurring earnings....”**

## Conclusion:

A value approach to investing in emerging markets offers a strategic advantage, by enabling investors to effectively navigate complexities and capitalize on opportunities these markets present.

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## END NOTES:

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