



Exploring Emerging and Frontier Markets Investing



FIERA OAKS INVESTMENT TEAM

Dominic Bokor-Ingram,
Senior Portfolio Manager for Emerging
and Frontier Markets

Dominic Bokor-Ingram, Senior Portfolio Manager for Emerging and Frontier Markets, recently joined Asset TV to discuss key trends and opportunities in Emerging Markets. The conversation highlighted inefficiencies in major emerging market indices, compared opportunities across Saudi Arabia, Vietnam and Poland, and delved into the perception-reality gap within the market. This writeup summarises his 15-minute interview.

[Watch the interview](#) >



Investors have looked to emerging markets and frontier economies for superior returns since the 19th century, so why are they still so poorly understood? Speaking with Asset TV, Dominic Bokor-Ingram, Citywire AAA-rated Senior Portfolio Manager of Fiera Capital's OAKS EM Select Strategy, says the issue is in the semantics. *"The step-change came in the 2000s,"* says Dominic. *"As soon as every economy was indexed by MSCI, anything that wasn't 'developed' was by default 'emerging'."*

Bundling together emerging economies into one broad definition wouldn't be as big of a problem as it is, if – as Dominic says – that didn't precipitate the creation of benchmarks. *"We need to have a serious think about how we invest in emerging markets,"* says Dominic. *"Creating indices that you invest relative to is not the same as investing in a growth opportunity."* In his own words, *"the outsized influence of the eight largest emerging markets means you're smoothing over the countries that are growing strongly."*

The Fiera OAKS EM Select Strategy celebrates its four-year anniversary in January, ranking first in Citywire's Emerging Market Equity category. Seeded by the management team, Dominic and co-Portfolio Manager Stefan Böttcher steward \$150 million in assets across a highly diversified portfolio of emerging market securities, the success of which Dominic puts down to their proprietary valuation method. *"In the last ten years, the best – but also quite possibly the worst – performing market in the world is emerging. Putting countries as diverse as India and China in the same universe doesn't make any sense, so our philosophy is to find higher rates of return in specific countries and only investing there."*

Dominic and Stefan identify and exploit inefficiencies across under-researched and under-owned listed stocks in geographies where positive political, economic and/or financial reforms underpin corporate growth. The duo target cashflow positive companies that the OAKS EM Select team believe can generate attractive returns on invested capital, such as lesser-traded developing-nation exchanges, including Saudi Arabia, Greece, Vietnam, Mexico, Indonesia and the Philippines.

Each country is its own challenge. *"In some cases, you have quite developed emerging markets where investor information is very available; where the stock exchanges are well-developed, but this isn't the key."* While some investors are cautious to invest in markets where coverage is thinner on the ground, the team behind the OAKS EM Select strategy see evidence of mispricing as the fundamental indicator. *"What we're trying to find is an opportunity for information arbitrage, where a country is developing very strongly; where there is a lot of good quality information, but where the broader market has failed to realise that change is happening and that growth is happening."*

Determining where to focus the team's attention is the first stage of the investment process, which Dominic describes as *"identifying what is changing and why it is relevant."* GDP per capita is irrelevant. It is *where* the growth is within a particular economy and the stocks available to access that growth at the right valuation, that is paramount – with a focus on reform. Once a country meets Dominic's criteria, the team travels.

"It's a huge part of what we do," he says. "We speak with at least 1,000 companies a year, their peers and competitors, to really understand the domestic environment."

The investment team runs a "live" exclusion list for those markets which put the Strategy's investments at risk. Countries are excluded from the investment universe if facing systemic challenges including hyperinflation, low hard currency reserves, parallel foreign exchange markets or are prone to asset appropriation and capital controls.

These are the hard boundaries (as Dominic says, in emerging markets, it is very unusual to make money buying the best stock in a bad market), but within Dominic's acceptable universe is an expansive pool of thousands of securities to select from.

After the deep-dive to extract an in-house valuation, each position is given a risk/return profile and adequate sizing in the portfolio based on the analysts' and senior management's convictions. The result is a stable of well-managed companies with robust business models, where minority shareholder interests are respected, that can generate attractive returns on invested capital and sustainable earnings and cash flows.

There are transformative stories that sit beneath the portfolio today, from Saudi Arabia's diversification strategy to reduce its dependence on oil, to Greece's economic restructuring. In Dominic's eyes, the quality of leadership is the cornerstone of sustainable growth. *"Cultural change in Saudi Arabia alone has provided a huge boost to the non-oil parts of its economy,"*

says Dominic. "What we're seeing is the single biggest transition since the fall of the Berlin Wall, with the incentive structure being set up to guide capital to innovation."

When put together, the ethos that overrides market exuberance; that has been so successful for Dominic, Stefan and their team, has been the ability and discipline to change their minds. When everything on an emerging market journey is tenuous, acting on the 'where and when' the tide will fall away allows OAKS EM Select to stay nimble. *"We see great opportunity in Vietnam; in Kazakhstan, in Greece, in Saudi Arabia, for varied reasons. For now, we see the right stocks. But we may not always. That's the expertise in active management."*

To watch the interview in full, click [here](#).

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