

# MoneyMarketing

## Diverse reaction

**MARK DAMPIER**



Investors looking for exposure to emerging markets should start with a fund which can diversify and invest in just about any firm in the emerging economy and the Ignis Hexam fund fits this criteria

### FUND FOCUS

Emerging markets have always been a favourite sector of mine for long-term investing. When my son was born in 1990, I started an emerging markets savings plan for him – just £20 a month to begin with. Nineteen years later, he has got a nice little nest egg despite several rough periods for those markets.

My confidence in emerging markets has not waned over the years. I think they are a must for virtually any investor who has a long-term investment horizon. Emerging markets have most of the world population, yet in stockmarket terms are still quite small. They have the potential to be far more dynamic. Emerging markets tend to be higher risk and volatile areas although lately they have been picking up better than the developed world. They are hardly immune from the global downturn but are in most cases in far

better share to cope with it.

Obviously, the biggest emerging market in the world is China and the industrial revolution taking place there has been well documented. The potential for a political revolution at some point cannot be ignored but that is the only thing I believe could seriously derail China's development into an economic superpower.

There will be pauses for breath along the way and times when China does less well – we are seeing one now – but once you give a population the glimpse of a better life, it is going to be impossible to stop it in its tracks.

The next question must be how do you get exposure to emerging markets? It is now quite possible to buy funds that specialise in individual countries. For example, you can buy a fund that focuses purely on Russia or China or India or Brazil. Even Middle East and Africa funds are out there.

However, for the vast majority of investors, the best place to start will be a more diversified fund that can invest globally. This allows the fund manager to seek the most promising companies from pretty much any emerging economy in the world.

That leads me to the Ignis Hexam emerging markets fund, set up in 2006 as a result of a joint venture with Resolution Asset Management, now called Ignis. Bryan Collings is the lead fund manager at Hexam and heads the investment team. He set up Hexam effectively for two reasons – he wanted to manage money within what we call a boutique environment without the bureaucracy of a bigger company and he wanted to focus purely on investment and leave the admin and sales to someone else and this is the role that Ignis performs.

The research process blends a top-down view of the wider economic landscape with detailed analysis of individual companies. It is also a high-conviction portfolio with around 35 stocks, so the manager will only buy shares in which he has a high degree of confidence, although obviously this will not stop him from being wrong occasionally. There are over 1,000 stocks from which they can potentially build a portfolio but they filter this universe down to around 130 stocks which they get to know really well through research trips and the most detailed analysis.

The performance of the fund so far has been good. The fund had a difficult period between September and December 2008 when

emerging markets generally struggled as international investors withdrew money in a bid to lower their overall risk levels. Shares were sold without much regard for the company's fundamentals. This is always a difficult time for fund managers but does allow them to pick up some good bargains for the future.

At present, the biggest country exposures are Brazil at 23 per cent, China at 17 per cent and Russia at 12 per cent. The team at Hexam believe the dramatic falls in the Russian market are now over. Their views echo those I have heard elsewhere and have mentioned in these pages from funds such as Neptune Russia & Greater Russia and Jupiter emerging European opportunities.

In conclusion, this is a small dynamic team who are owner-managers of the business and who live and breathe emerging markets. Short lines of communication and highly incentivised individuals in an area full of potential amounts to a strong buy signal but remember this is definitely an area for the long term.

**Mark Dampier is head of research at Hargreaves Lansdown**