



# FORSHORE

Shaun Harris

## Mixed feelings about emerging markets

**E**merging markets are coming back into favour as a destination for offshore investments. Earlier this year the call among many asset managers was developed markets. Well, the shares might be cheap for quality companies in many developed markets, but do investors want to be there? Large European countries are bankrupt and battling to pay off debt. It's not much better in the UK. Emerging markets look so much friendlier.

But this emerging market, South Africa, is not that cheap. Karl Leinberger, chief investment officer at Coronation Fund Managers, says the asset manager has done better offshore rather than locally.

The local market looks expensive. Recently, Coronation compared local companies to their peers overseas.

PPC trades on an earnings multiple of 11.3 times while its counterpart overseas, Lafarge, is 8.2 times. Standard Bank, Mediclinic, Naspers, Aspen, Woolworths, the JSE and Vodacom were all more expensive than their counterparts. The one exception is Tiger Brands, which trades slightly below Unilever's multiple of 13.9 times. "Most SA companies are rated at a premium to their global peers," says Leinberger.

But which global market should SA investors pick? There are so many sovereign debt and macro-economic issues at play in developed markets that investors, like angels, might fear to tread.

Coronation favours emerging markets. "Emerging markets will outgrow developed markets, for reasons like

low debt, demographics and urbanisation," says Leinberger.

PSG Asset Management is going for large companies that are listed in developed markets. For example its PSG Equity Fund has Diageo plc, Tesco plc, Unilever, Berkshire Hathaway and Heineken in its top 10 holdings. Much the same is true for the PSG Global Equity Fund.

Mark Cliff, senior investment specialist at PSG, argues the case for the inclusion of Unilever. "More than 2bn people use a Unilever product on a daily basis. The products will be found in one out of every two global households. And Unilever was founded in 1886, it's over 120 years old."

That leaves Unilever as the world number one in a number of products, from tea to deodorants. Yet the share has been de-rated.

While emerging markets might be the place to be, there are, no doubt, some bargains hiding away in Europe. I'll try and identify them in the next column.

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