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Unlocking Opportunities in Reform-Led Economies

FIERA OAKS INVESTMENT TEAM

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

Geopolitical turbulence has reached a new intensity on the Richter Scale over the last six months, amplified policy. As investors re-examine their long-held exposures, Dominic Bokor-Ingram, Citywire AAA-rated Senior Portfolio Manager, speaks to Asset TV about the diversification opportunities still present in global emerging and frontier markets.

Watch the interview >

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On the topic of an uncertain macroeconomic outlook, Dominic is unreserved. "*No-one knows what the outcome of this will be*", he says, with mention to greater tension in international affairs. "*Neither do we know where the next risk is coming from, be it country-specific risk or by asset class.*" All we can be sure of, he adds, is that "i*n respect of global asset allocation, [investors] need to prioritise how they diversify risk*" by taking measures to enhance capital preservation.

Dominic sees some degree of mitigation in what he describes as the "*opportunity set*" in emerging markets. "*The reason emerging markets are not truly a single asset class, despite how they are often described, is that a broad allocation would fail to capture the upside*", he adds, observing that there are some shared characteristics between different countries. "*At the moment you can distinguish between those that rely on exports, particularly to the US. And those whose growth is heavily influenced by domestic reforms.*" It is the latter category that Dominic says are worthy of further investigation.

"*In two of our strategies that look at emerging markets outside of the very largest, we are focused on those countries where domestic reforms have a proportionately larger effect on outcomes – and stock outcomes, particularly.*" The rationale, as Dominic puts it, is that the growth trajectory of these countries is less dependent on global trends. "*This is currently how the emerging markets universe is split up. There are those that are greatly exposed to global changes in interest rates; in tariffs, and in oil prices. And there are those that are not.*"

Because of the nature of their ascendancy, Dominic suggests that the larger emerging markets that make-up the dominant portion of the MSCI EM Index are a categorically different investment play to their smaller counterparts. "*If you look at China, Korea and Taiwan, they will usually rise and fall depending on their trade relations*", he explains, with the exception being China "*provided there was a domestic stimulus programme in place.*" That only adds colour as, Dominic sees it, to the breadth of emerging and frontier markets available to invest in. "*There are many, many countries that have limited trade with the US. Where their growth story, and ultimately the alpha derived from investment, is dependent instead on what is going on with domestic policy.*"

What constitutes a positive signal to Dominic and his team varies. "*We're looking for political reforms, economic reforms; reforms to the stock market; cultural reforms. Anything which is resulting in a pronounced shift in growth trajectory.*" He gives Argentina as an example where he and his co-Portfolio Manager Stefan Böttcher have seen significant cause for conviction. "*Argentina has been a boom-bust story for most of the last 100 years, but we're seeing policies being put in place that could drag the country back into a strong growth environment.*" Adding that "*the currency and debt management are now creating the right parameters for long-term growth.*"

Despite the initial large tariff levied on the country, Dominic also has reasons to be optimistic about Vietnam. "*Government forecasts suggest 8% growth this year. Even in the worst-case scenario, this will be above 5%. That is still stronger than virtually anywhere else in the world. And even more beneficial if you are able to selectively invest in sectors and industries less exposed to incoming tariffs.*"

Fiera Capital's OAKS EM Select celebrated its four-year anniversary in January, ranking 1st in Citywire's Emerging Market Equity category. Dominic puts that track record down to discipline, but also to a comprehensive understanding of domestic growth stories. "*Greece is another example of a turnaround where the newly elected democratic government is taking the country down a completely different economic route to its immediate predecessor.*" On the Middle East, it's the same. "*In Saudi Arabia, the UAE and Oman, you have countries historically dependent on its oil exports where huge socio-economic reforms are elevating commensurately large non-oil industries.*" Fielding a question on the failure for reform to last – or even eventuate – Dominic takes a balanced view. "*Reforms may not have the impact we forecast. But as in the case of Argentina, we feel there are enough markers, and sufficient domestic support, for reform to break through the inflationary wage-price spiral that has previously dampened the country's prospects.*"

That isn't to say that the team doesn't place a stop-loss. "*We always maintain sufficient liquidity in our portfolios", he says. "We stick to our capacity limits, so that if the thesis changes, we're always about the change our minds.*"

Staying objective is an essential pillar of Dominic and Stefan's historic outperformance. Knowing when countries are growing sustainably is, as Dominic puts it, part of the skillset. "*Turkey and South Africa are examples of countries which looked like they were growing, but economic policy has gone in the opposite direction.*"

And how does equity exposure act as a functional 'proxy' to a domestic growth agenda? As Dominic explains, a large shelf of emerging and frontier markets have been overlooked despite having liquidity, regulatory standards, and stock market infrastructure that works; where the stock market becomes a source of growth capital for those companies supported by reforms. "*A good place to start when looking at the companies that benefit from policy reform is in the financial sector*", he explains. "*For reforms to be effective, there needs to be accessible leverage, which is lending provided by the banks.*"

Dominic describes the reconstruction of the banking sector and reversal of capital controls as often being the "*precursor*" to growth in emerging markets.

Where countries are along their individual growth journeys does to some degree shape the thinking. Saudi Arabia has long been a fixture of Dominic's portfolio, in sectors ranging from advertising to hospitality, which are often high-growth sectors of countries at a later-stage of their development. It also has had the benefit of Dubai as a blueprint. "*The appointment of Mohammed bin Salman marked the first time in Saudi Arabia's history that the Prime Minister was under 80 years old. That step change, where the leader could now take a longer-term perspective, is a reason why Saudi Arabia recognised earlier than others that dependency on global oil markets was an existential threat to its future, and why it was possible to come up with a plan – the likes of which I have never seen before – to move its economy on so rapidly.*"

The idiosyncratic nature of geography also creates interesting pockets for capital to fill. "*In the recent past, we invested in a water company in Saudi Arabia. Water might not be an obvious growth sector in emerging markets, but if you consider what Saudi Arabia is trying to do with its systems for sewage and clean drinking water, it makes sense.*"

What trades at a discount depends on the operating environment, where Dominic sees information asymmetry arising from the lack of regular analysis. But, as he elaborates, "*it's about marrying fundamentals analysis with a true interrogation of the likelihood of lasting positive reform.*"

"If done correctly, this is the optimum way to invest in emerging markets", he concludes. "This isn't about demographics, for example birth rates, which are often cited as a reason to invest. It's about an acute awareness of the top-down dynamics, and how you go about selecting mispriced stocks from an under-researched pool that have an edge borne out from the strength of the domestic growth to come."

To watch the interview in full, click here.

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This video interview was recorded on 6th May 2025.

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