

## press release

21 May 2010

### UK Investors are missing out on the potentially lucrative benefits of investing in Emerging Market Debt

- 78% don't invest or don't plan to invest in emerging markets debt
- 24% admitted they do not know enough about the sector to invest
- The Share Centre believes investors are missing out on potentially lucrative benefits

**New research from retail stockbroker The Share Centre reveals investors could be missing out on potentially lucrative benefits offered by emerging markets debt funds, because of a lack of understanding of these types of investments.**

The survey\* of 449 private investors showed that while 58% have some exposure to emerging market economies via either equities (23%), funds (23%) or both, only 5% currently invest in emerging markets debt.

Commenting on the results, Sheridan Admans, investment adviser at The Share Centre, said: "I am not surprised a substantial number of those polled invest in emerging markets, given their strong fundamentals, positive reform, advantageous demographics, wealth in resources and sound banking systems.

"However, it appears that the investment potential of emerging markets debt is being overlooked because of a lack of understanding. In fact, 53% of investors said they do not know enough to invest in the sector or that they had no idea what emerging markets debt is.

"Investing in emerging markets debt is not for everyone as it may not meet the investor's long-term objectives, but it does have benefits. It allows for diversification in an income portfolio, and due to the lack of correlation with other asset classes it provides differentiation in a balanced portfolio of investments historically delivering good risk adjusted returns.

“Traditionally, investors may have gained exposure to emerging markets by investing in equity-backed funds, with many focusing on the key regions of Brazil, Russia, India and China”, added Admans.

“In terms of risk, in a collective investment scheme investing in emerging markets debt is at the higher end of risk in a lower risk asset class as the debt is issued by institutions in their own currency. This means the investor is exposed to currency risk as well as other risks associated with emerging markets.

“Understandably, the idea of investing in debt, let alone emerging market debt, may concern some investors. However, it is worth remembering that in a company’s financial structure, debt holders rank higher than those holding equity,” Admans concluded.

## **SUGGESTED FUNDS FOR EMERGING MARKET DEBT**

### **M&G Emerging Markets Bond fund**

The fund aims to maximise total return through a combination of income and capital growth. It will not hold loans or corporate issues, which can be higher risk and offer lower long-term returns. It also avoids emerging market currency debt, as this can be more at risk from default and high inflation. The fund has returned 38% over the last three years. Investing in emerging markets is far riskier than investing in the developed world. As such, this fund sits higher up the risk scale for lower risk investors.

### **Investec Emerging Market Debt fund**

The fund aims to achieve long-term total returns primarily through investment in public sector, sovereign and corporate bonds issued by emerging market borrowers. It has been managed by Peter Eerdmans since its inception in 2006 and offers investors an easier route into emerging markets debt. The fund is currently offering an attractive yield of 7.24%. Year-to-date the fund has returned 12.62%. With regards to risk, this fund sits between those of global bonds and emerging market equities.

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**Note to editors:**

\*Investor survey

The Share Centre surveyed 449 investors about investing in emerging markets and their attitudes towards investing in emerging market debt during April 2010.

**Emerging Markets Debt Web Chat**

The Share Centre hosted a live web chat alongside Investec Assessment Management explaining how investors could benefit from emerging markets, and in particular emerging markets debt. Guests included Sheridan Admans, investment adviser at The Share Centre and Peter Eerdman's fund manager of the Investec Emerging Market Debt fund. To view the final transcript of the event please visit [www.share.com/webchat](http://www.share.com/webchat)

**Coming Soon – Multimanager Web Chat**

The Share Centre will be hosting a live web chat on multimanager funds alongside Gartmore Investment Limited on Wednesday 9 June 2010 between 1-2pm. For more details please contact Neil Gregory at Lansons Communications at [neilg@lansons.com](mailto:neilg@lansons.com) or call 0207 294 3611.

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**Risk Warnings:**

Investing in general, and the products and services mentioned above may not be suitable for all: if in doubt, individuals should seek independent financial advice. The value of investments and the income from them can go down as well as up and investors may not get back their original investment. Past performance is not a reliable indicator of future performance.

The bases and levels of taxation relating to ISAs, CTFs and SIPP's are subject to change and the value of these tax allowances may depend upon the circumstances of the individual.

**About The Share Centre:**

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on [www.share.com](http://www.share.com). Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our [Investment Research Policy](#)

In addition, account customers can receive individual telephone advice on UK-listed shares and on funds traded via the CoFunds trading platform.

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