Robert Talevski

Co-Founder & Managing Director

Robert is Managing Director and member of the Investment Committee. He is an accomplished investment executive with over 18 of years experience in investment management and advisory activities across large Australian superannuation funds and institutional investors.

Robert founded Brightstone Capital Advisors, a firm that provides investment advisory services to Australian superannuation, institutional and high net worth investors. Prior to that, at Telstra Super, Australia's largest corporate superannuation fund, he managed the $1 billion Global Private Markets and $2.5 billion Global Shares portfolios.

Before joining Telstra Super, Robert was an Investment Consultant at JANA Investment Advisors providing investment advice to large industry and corporate super funds, charities and private wealth clients totalling $20 billion. Prior to joining JANA, Robert worked in London with INVESCO, IMS and Threadneedle Investments.

Robert is a Board Member of the Autism Behavioural Intervention Association.

Robert has a Bachelor of Business (Accounting & Law) from Victoria University and has a Graduate Diploma of Applied Finance & Investment from the Financial Services Institute of Australia (FINSIA).

Emerging Markets - Is it time to invest?

1 Underperformance of Emerging Markets

Despite outperforming developed markets for most of 2016, some emerging markets are still seen as quite cheap, from a valuation stance, when compared to developed markets. This is because prior to 2016 emerging markets, over a 5 year period, had underperformed against developed markets.

The underperformance seen within emerging markets was due to several factors. One of which was the slowdown in China as concerns grew as they went from growing by double digit figures to mid-single digits. This figure may seem quite high if achieved by developed economies, however, this deceleration only showed that China had reached its peak in terms of growing aggressively and is now slowing down. With China representing around 25% of the MSCI EM index it has had a significant impact, in aggregate terms, on the performance of these markets. However, it hasn't been all doom and gloom as it shows that China is becoming a more stable market. It has, thus become less volatile in terms of performance. Furthermore, household consumption is continuing to increase, especially amongst the middle class where disposable household income has been increasing.

The significant downturn in commodities was another factor as it impacted markets that were heavily reliant on commodity prices, such a China, Russia and Brazil. Weak earnings have also been a big factor over the last few years, which in turn led to weak performances in share prices due to companies' disappointing markets. Economies that have had and continue to have high US dollar reserves saw further negative impacts due to the dollar appreciating in value. This was due to money flowing back into US stock markets which subsequently led to the strengthening of US markets. Economists have seen a strong correlation in terms of the appreciation of the US dollar and underperformance of emerging markets, thus leading them to describe the relationship as inverse.

2 Upside potential

As it stands, emerging markets have a Price to Earnings (P/E) ratio of 14, which is lower than developed markets that have a Price to Earnings ratio of 17. It is therefore in our opinion that there is still room for further growth as emerging markets are showing consistency in terms of their performance. Some Emerging markets have single digit P/Es showing that they are not homogenous and that some emerging economies have further room to grow as compared to others. Furthermore, with commodity prices appearing to have bottomed out and others almost nearing the bottom, it is good news for emerging markets as they can see stability returning and volatility reducing. However, the question is whether prices will return to high levels seen previously or whether they will remain where they are.

In developed markets, bonds are yielding near zero whereas bond markets within emerging markets are seeing yields between 7%-8% which are significantly higher. 2016 has seen an increase in demand for bonds within emerging markets, but analysts believe that there is still much room for growth as the bond market continues to look attractive especially as it is expected for investments to increase with infrastructure in China as they continue to invest in their developing economy.

3 China

China is one economy that is seeing stability and although they have disappointed markets and made some surprising decisions, such as devaluing the yuan over three consecutive days, the worst fears that have loomed over the economy have not come to light. However, many companies are still highly geared for state owned enterprise most of this is government debt, but the PBOC are already acting to reduce debt within companies by adopting stimulus policies monetary policy. Furthermore, debt amongst households remains very low which means that household debt is not currently straining the Chinese economy.

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4 Emerging Markets and the Trump caveat………the uncertain factor

A lot will depend on whether Trump can successfully implement his protectionist approach to trade deals. His protectionist approach to trade deals would be a negative - but if it was to renew US GDP growth, this would be a positive outcome for the US, having a knock-on effect on US consumer spending, jobs growth, world GDP growth and also emerging markets.

5 Conclusion

Historically, emerging markets have seen long periods of underperformance and as outperformance compared to developed markets; therefore it is expected to see longer periods of outperformance. Emerging markets contain over 80% of the world's population and with disposable income increasing amongst households, it is easy to assume that demand, especially within services, will continue to increase over the long-run. Therefore, it makes sense to invest in emerging markets. As investors see more stability and reduced volatility they will become more confident by allowing their portfolio to see a bigger exposure within this area of the market.

About Activus Investment Advisors

Activus Investment Advisors is founded by a team of successful investors with over 40 years of investment experience in the Australian investment management and advisory space.

Activus Investment Advisors provides high quality and independent investment consulting advice, research and analytical services to the superannuation, institutional investor, dealer group and charities space. We leverage off our deep experience and successful track record to design, build and manage tailored solutions and investment portfolios to assist clients in meeting their investment objectives.

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