



Cross-Border Investments in Emerging Markets- Opportunities and Challenges Seminar Outline

► Overview:

Because of the higher growth and potentially higher return of emerging markets, they have received an increasing attention from investors in the developed world. It is said that emerging markets are providing diversification benefits for U.S. investors because of their low correlations with U.S. assets. In fact the benefits of international diversification within developed markets have declined over time because of increasing correlations; on the other hand, emerging markets offer both lower correlations and an expanded number of markets to invest in.

Emerging markets have generated considerable interest among investors and academics. Although their returns are increasingly converging to those of the developed world because of integration and liberalization, they still provide benefits to a global portfolio. This seminar studies the latest practitioner and academic work on emerging market investing.

► Objectives:

The seminar's objective is to provide a framework for analyzing the key components of the business environment for cross-border investment projects into emerging markets. It identifies the major risk factors resulting from the international macroeconomic uncertainties as well as from the host country macro and regulatory conditions, in addition to more business-specific considerations behind cross-border direct investment decisions. Attractions resulting from relevant market opportunities, cost factors and infrastructure availabilities will be weighted against threats resulting from the difficulties of doing business in a particular business environment. This seminar will equip attendants with tools to better understand these challenges and opportunities. It will present you with the latest thinking on major issues that international managers are likely to face as a result of these developments, and will consider strategic options to these challenges.

This seminar will prepare attendants to be able to:

- Have a better understanding of a range of opportunities available for companies to create value in emerging markets
- Learn the complexities associated with managing operations in emerging markets, and enhance your ability to address them
- Understand the different nature of emerging market companies and the distinctive challenges of competing with them
- Gain familiarity with the latest thinking on strategies for emerging markets

► Possible Attendance:

All companies and people who are interested in investing in emerging markets will benefit from this seminar by having the needed knowledge about the different types of emerging markets, their opportunities, and their challenges.

Attendants may include:

- CEOs
- Senior managers
- Directors
- Executives
- Business professionals at management levels
- Trainers
- Academics
- Organizational Development professionals
- HR professionals

► **Structure:**

18 hours to be carried out over 3 days including presentation, workshop, valuable supporting documents, and some case studies.

► **Contents:**

This course presents the principles of Cross-Border Investment in Emerging Markets, it covers:

- **Investment In Emerging Markets**
- **Defining Emerging Markets**
 - Identifying the emerging markets and their characteristics
 - Understanding benchmarks and the indices
 - Brief overview of the largest countries
- **Brief History**
 - Analysis of the crises of the 1980s and 1990s
 - How emerging markets have navigated the Great Recession
- **Consensus versus Contrarian**
 - The long term bull case as espoused by Goldman Sachs et al
 - The current position in global emerging markets
 - The contrarian (or at least nuanced) views held by certain leading commentators, and short sellers
- **Investment Vehicles**
 - Description of common shares
 - Local, ADR, GDR
 - Mutual funds
 - ETFs
 - Funds of funds
- **Asset Allocation**
- **Top-down or Bottom-up approaches**
 - Draw on evidence for contributions to performance
 - Examples of practitioners of each style
- **Country Governance**
 - Understand how some countries have the building blocks of long term success and some do not.

- Examine the correlation of GDP per head and the quality of institutions, corruption, demography, human capital, personal and economic freedom.
- **Sovereign Analysis**
 - Current accounts, exchange rate under/overvaluation
 - Fiscal accounts, government debt, financing
 - Consumer habits – personal debt, excess consumption
 - Financial system health – simple aggregate bank balance sheet analysis, key ratios
 - Economic growth, components of GDP, productivity, interest rate cycles
 - Bond market perceptions of sovereigns
- **Bubbles**
 - How the Kindleberger “model” can be applied to examine how bubbles form and expand
 - Illustrate Soros’s reflexive processes at work in emerging markets
 - Foreign influences
 - Channels for excess liquidity
 - Sentiment analysis, IPOs and other capital market activity as contrarian indicators
 - Technical/chart characteristics, linked to sentiment
- **Crises**
 - Recognizing the dynamic, self-reinforcing processes that drive crisis – debt, current account, currency valuation, contagion, hot money financing, confidence, the role of politics, interest rates, banking system
 - Transmission mechanisms: How a liquidity squeeze extends into the broader economy
How to look for opportunities once the crisis has passed
 - Technical characteristics
- **Earnings Forecasts and Funds Flows**
- **Valuation**
 - The main top-down metrics, their advantages, their flaws and their historical explanatory role
 - Arguments for valuation premiums and discounts
- **Stock Selection**
 - Managing information flow
 - Getting the most out of managements and brokers
 - Company Analysis
 - The role and historical performance of stocks of high and low quality in emerging markets
 - How to measure quality
 - Ability to withstand crisis - balance sheet structure and cash flow durability
 - Analyze key pressure points
- **Pricing Power and Market Growth**
 - The Porter Model, and the specificity of its factors in certain emerging market sectors
 - The BCG matrix, identifying “pioneers, cash cows, dogs and stars”
- **Analyzing Profitability**
 - Understanding sources of value creation using the Dupont model
 - Return on Equity (ROE)
 - Comparison and adjustment of core ratios in cross-border analysis
- **Corporate Governance and Management Quality**
 - Shareholding structures across emerging markets
 - Understanding potential conflicts of interests relating to minority investor positioning
 - Particular focus on government interference in emerging market companies

- Accounting fraud and other issues
- **Summary Analytical Matrix**
- **Valuation**
 - Risk analysis as an ingredient for all types of valuation
 - Choices of multiples and their applicability to different types of emerging market companies
 - Intrinsic valuation, with a focus on
 - DCF construction
 - Discount rate calculation and the validity of the efficient markets hypothesis in emerging markets
 - Sources of DCF sensitivity and hence, pointers for analytical focus
- **Implementation**
 - Liquidity and ease of market access
 - different classes of shares and validity of their use
 - how to access a stock's performance through other means than direct stock ownership
 - role of external events and other factors
 - Assessing sentiment surrounding a stock, linking it to technical analysis
- **Position Management and Exit**
 - Digesting company earnings announcements, focusing on key balance sheet and cash flow metrics, as opposed to company-presented information
 - Understanding analysts' motivations and reactions
 - Monitoring ongoing company performance
 - Warning signs (deterioration in corporate governance, balance sheet, profitability and cash flow factors)
 - Importance of adopting a strict selling discipline whilst allowing for overshooting

Throughout the seminar there will be opportunities for questions, and where appropriate, case studies will be discussed. We'll use several international rankings as well as selected case study materials and discussions to introduce the framework of the analysis in depth.