



Should Investors Follow Soros into Emerging Markets?

Description

In a surprise move, famed billionaire investor George Soros bulked up his exposure to emerging markets by investing almost US\$92 million in the **iShares MSCI Emerging Markets ETF**. This was despite concerns that a firmer U.S. dollar and stronger U.S. economic growth will harm growth in emerging economies.

Despite these worries, especially the fear that Trump will institute his protectionist trade policies, there are signs that emerging markets are shaping up as one of the best contrarian plays available to investors.

Now what?

Firstly, Trump's proposed trillion-dollar infrastructure investment will drive higher demand for commodities, particularly metals such as iron ore, copper, and zinc, as well as steel-making coal, which are all essential construction materials.

This is especially important for emerging markets because a large number are highly dependent on the extraction and export of commodities as a key driver of economic growth.

Copper has surged to be up by 28% over the last three months, which bodes well for Chile and Peru because they are the world's largest and third-largest copper producers, respectively.

Investors can gain exposure to those emerging markets without leaving the safety of home by investing in **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)).

Canada's third-largest bank has built a considerable presence in Latin America, where it is the third-largest bank in Peru, the fifth-largest in Colombia, and the seventh-largest in Mexico. It also owns 51% of the consumer finance business of Chile's largest retailer **Cencosud S.A.**, giving it considerable exposure to Chile's rapidly growing consumer-lending market.

Secondly, analysts expect emerging economies to benefit from an improvement in global demand, which will boost their economic growth over the next year.

Investors can profit from this improving economic outlook by investing in **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

Not only does it benefit from predictable cash flows and operate a range of hard assets in oligopolistic markets, but it gives investors considerable direct and indirect exposure to Asia. This is particularly important because economists expect Asia to be the fastest-growing region in 2017.

Brookfield Infrastructure owns a range of transport as well as energy infrastructure assets in India, China, and Australia, which will experience a marked uptick in demand as the economies of India and China continue growing at a rapid pace.

Brookfield Infrastructure also gives investors exposure to Colombia, Chile, Peru, and Brazil, where it owns a broad range of utility and transport assets.

Finally, rapidly growing wealth as well as an expanding middle class across Latin America and Asia will trigger an uptick in consumption in those regions, helping to drive higher economic growth.

This will benefit those companies like Bank of Nova Scotia and **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)), which provide a range of financial services in those regions.

In fact, Manulife is now one of the largest providers of insurance, wealth and asset management products, and services across Asia, generating half of its net income from the region. This means it will profit from the region's solid economic growth over the next year as well as from the growing demand for wealth management and investment services.

So what?

These aren't the only reasons for investors to add emerging markets exposure to their portfolios. Soros is not the only investment guru to bet on emerging markets; investment heavyweights Ray Dalio and Stanley Druckenmiller also have extensive exposure. It appears that Wall Street is expecting emerging markets to perform strongly in the coming year.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:MFC (Manulife Financial Corporation)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:MFC (Manulife Financial Corporation)

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