ESG transparency, manager styles and pandemic disruption

In June, **Tell Media Group**, in cooperation with **Aberdeen Standard Investments**, **Baillie Gifford** and **Robeco**, invited Nordic fund and manager selectors to discuss emerging market equity investing. Tell Media Group founder Niklas Tell moderated the roundtable.

By: **Niklas Tell**

The discussion started out with Niklas Tell asking the participants if there is anything specific to look into when selecting emerging market equity managers and whether this differs from selecting managers in developed market equities.

MIKAEL ALEXANDERSON: "We use an investment due diligence process that integrates sustainability, which is more or less the same for all equity strategies. However, I think it's even more important that the manager has some kind of local knowledge when managing emerging market equities. We're looking for managers with a clearly defined philosophy that provides a sound framework for value generation as well as attractive sustainability ambitions. We want the manager to target clear market inefficiencies and we want them to be able to communicate how they exploit these market inefficiencies. We, of course, also want to see a disciplined investment and sustainability process that enable the philosophy. On the people side, we want to see relevant investment and sustainability capabilities, which is backed up with an organisational framework that supports the selected investment approach. On the performance side, we're looking at evidence in terms of the expected risk and performance pattern versus the actual performance to understand if the manager is skilful and not just lucky."

KRISTOFFER BIRCH: "I would broadly agree with what Mikael has already said. I think the only thing that we specifically look for in an emerging markets manager is some kind of top-down view. We don't tend to do that for developed market managers. For us, it's about having trust and credibility in a manager. We want to see that where a manager says they can create value is backed by proof. Are they able to describe their style exposures and their head- and tailwinds? ESG considerations obviously have to be integrated and we also want to see that the manager is able to engage and drive some change. This is obviously important in both emerging and developed markets but I think there might be some low hanging fruit in emerging markets that already have been picked in developed markets."

CASPER KENDRA: "In my situation, the selection of emerging market managers obviously also depends on what it is that I'm asked to look for. That could be different style exposures, downside protection etc. From a personal point of view, I also like to focus on the softer side of the selection work. Can the manager explain in simple terms what they want to achieve? Can I understand it and can it be explained to the end investor? For these kinds of discussions, I really miss not being able to sit down face-to-face with managers. That gives you a lot of information that's more difficult to pick up when doing a phone call or even a video meeting."

GUSTAF SJÖSTRÖM: "I agree with what has been said. One thing worth highlighting is that when you're choosing a manager for an EM or DM white-label mandate, I think it's important that the managers' ESG process and framework is aligned with your own way of approaching ESG to ensure that the manager can efficiently manage their investment approach within the restrictions set by the bank."

NIKLAS TELL: AS EMERGING MARKET FUND MANAGERS, ARE SELECTORS RIGHT IN EVALUATING YOU IN THE SAME WAY AS MANAGERS OF DEVELOPED MARKET EQUITIES?

WIM-HEIN PALS: "The comments are very interesting, especially Kristoffer saying that he's looking for top-down views in emerging markets. I think that's correct because there are a lot of countries in the MSCI EM that you don't want to be invested in at a particular time. At the moment, we don't want to be in Turkey and we don't want to be in a majority of South-East Asia. Some might see that region as a great reopening play but you have to keep in mind that we're on the verge of tapering. On the other hand, we're very keen on North Asia. They managed the Covid pandemic the best and they're also protected against any form of tapering with huge current account surpluses in countries such as China, Korea and Taiwan. For me, country allocation is still an important factor in emerging markets. I know that we will be talking about ESG separately but this also plays into the country allocation theme when you look at ESG on an aggregated level for individual countries."

TIM CAMPBELL: "There are far more commonalities in terms of what selectors are looking for in terms of the institution, the people, the stability, the investment philosophy and so on. But I agree that macro is important in emerging markets and you learn this through bitter experience. The macro situation can totally overwhelm the micro for long periods of time so it's absolutely critical that it plays a part in your process. It also presents huge opportunities from time to time. You do see these big imbalances and dislocations and if you don't take advantage of those to generate alpha, then you're not going to have a consistent performance track-record over a long period of time."

CASPER KENDRA: "I'm curious to know what your take is on currency hedging in relation to these top-down views."

TIM CAMPBELL: "We think about everything in hard currency terms and what our clients care about is hard currency returns. We don't do any hedging. The first reason is that it's quite expensive. Secondly, you can rarely match it accurately, bearing in mind that companies themselves are also hedging. The third reason is that most of our clients don't want us to hedge because they allocate to emerging markets for the diversification benefit."

WIM-HEIN PALS: "It can be very, very expensive indeed but we do look at currency hedging quite regularly. A current example would be the South African Rand, which we would love to hedge at the current levels. We've done quite a bit of hedging in the past and going back to 1997/1998, we hedged the Thai Baht just before it collapsed on July 1 1997. That was actually one of our better years from a relative performance

PARTICIPANTS

- **KRISTOFFER FABRICIUS BIRCH**
  Head of equities at LD Pensions
- **CASPER KENDRA**
  Selection manager, equities at Nordea Asset Management
- **MIKAEL ALEXANDERSON**
  Portfolio manager at Skandia Liv
- **GUSTAF SJÖSTRÖM**
  Chief fund analyst at Danske Bank
- **FIONA MANNING**
  Senior investment director, global emerging markets equity team at Aberdeen Standard Investments
- **TIM CAMPBELL**
  Partner in the clients department and chair of the emerging markets product group at Baillie Gifford
- **WIM-HEIN PALS**
  Head of the emerging markets equity team at Robeco

KRISTOFFER FABRICIUS BIRCH
Head of equities at Denmark's LD Pensions.

CASPER KENDRA
Selection manager for equities at Nordea Asset Management.

MIKAEL ALEXANDERSON
Portfolio manager in the manager selection team at Sweden's Skandia, responsible for emerging market equities.

GUSTAF SJÖSTRÖM
Chief fund analyst in Danske Bank's manager selection team.

perspective. Going into the Asian crisis, we were very long Thai exporters and had on top of that a hedged position in the Thai Baht. There are also opportunities on the Korean peninsula from time to time as North Korea every now and then comes up with huge rhetoric without doing anything. Another example is Russia where we did quite a bit of hedging around the time of the Crimea crisis. Currencies are very volatile animals and you can benefit from that in emerging market and create alpha and at the same time managing and lowering the risk of your total portfolio."

MIKAEL ALEXANDERSON: "How much of the alpha will be added from the currency hedging or is this just some extra on top?"

WIM-HEIN PALS: "That's a good question and I would call it 'extra'. When we do the attribution, we take the currency hedging under the country allocation. So we do country allocation, stock selection and currency. Over the whole period of the track record since 1994, we've added around 30 bps on an annualised basis from currency hedging. But the country allocation is by far the most crucial and we integrate a currency view in that country allocation goal. We're currently cautious on the South African Rand but we don't want to hedge it because it's too expensive. We're underweight South Africa and we're not in domestic South Africa at all and that's partly currency related."

NIKLAS TELL: SOME OF YOU HAVE ALREADY MENTIONED ESG AND I THINK IT WOULD BE A SHAME TO LEAVE THIS TOPIC TO THE END BECAUSE I HAVE A FEELING THERE'S A LOT TO DISCUSS. FROM AN ASSET MANAGER POINT OF VIEW, WHAT DO YOU SEE AS THE BIGGEST ESG CHALLENGES?

TIM CAMPBELL: "I do think it's worth reminding ourselves of the first principles here. I assume that most people are investing in emerging markets because they want to see these companies and these countries develop and actually emerge. If you think about what's required to allow that to happen, most emerging market countries need to dramatically improve their infrastructure. They need better roads, railways, airports and fiber networks and that means a lot more cement, steel, copper and a lot more energy – all of which are polluting. I therefore think it's immoral to suggest that we shouldn't invest in companies that produce these products. Instead, we should be supporting them in implementing best practice in terms of things like carbon capture and I think we all know this ultimately comes down to engagement. It seems universally accepted that the investment management industry has a very important role to play in helping companies improve. At the same time, I do think it requires a slightly more grown-up conversation and an acceptance that we're not dealing with perfect companies, governments or systems and that it requires quite a lot of effort and a bit more perseverance from us."

FIONA MANNING: "There are, of course, challenges around ESG and having proper ESG integration within emerging markets. One is the level of familiarisation of the corporate management teams that we're talking to and their ability to showcase what they're doing. We often find that the numerous scoring agencies provide different results for the same company. However, when you talk to the management team, you can have a very productive conversation about how they think about ESG within their businesses. Just to follow on from Tim's comment, there are huge ESG-related opportunities within emerging markets because of that requirement for development and thanks to that opportunity to leapfrog legacy technology and to respond to consumer needs. Being able to talk to company management teams and having the active dialog about both sides of the coin – where they see the risks and how they manage those but also where they see the opportunities – can really unlock alpha in terms of portfolios. However, in many countries, having that active institutional-level dialog is still relatively new."

ROUNDTABLE – EMERGING MARKET EQUITIES

WIM-HEIN PALS: "We launched a survey some 20 years ago where we sent questions to corporates in emerging markets. We then aggregate these numbers and come up with a country ESG score and we now have a rich database of historic ESG scores on EM countries. It's very interesting to have this database in-house as we can see quite a bit of the changes on a country level when it comes to the ESG performance. Korea, Taiwan and South Africa stand out from a top-down ESG perspective as best in class and then you have notorious underperformers like Russia and China. We add a number of basis points to the weighted average cost of capital depending on the ESG performance in those countries."

NIKLAS TELL: AS SELECTORS, WHAT CHALLENGES DO YOU SEE FROM AN ESG POINT OF VIEW? AND ALSO, DO YOU AGREE WITH TIM THAT YOU NEED TO ACCEPT INVESTMENTS IN CEMENT OR OTHER COMPANIES THAT ARE NOT THE MOST SUSTAINABLE BUT ARE STILL NECESSARY FOR THE DEVELOPMENT OF EMERGING MARKET COUNTRIES?

MIKAEL ALEXANDERSON: "Starting with the challenges I see when it comes to ESG and evaluating managers, it's really about understanding and being comfortable that the investment team has a structured and a repeatable process in place when it comes to ESG. It shouldn't be something they add 'on top' or just a slide in a presentation. The sustainability process should be well integrated into the investment process and cover different ESG-criteria in the financial analysis, security selection as well as the portfolio construction. That's the first part. Then, of course, the quality of data is an additional challenge in emerging markets. We've also identified a lot of different kinds of forms of ESG reporting for EM managers, which makes it a challenge for us to really understand the breadth and depth of their ESG research. We simply have to spend more time on EM managers in general versus developed market managers. When it comes to the question of materials companies, we understand that this is a key sector and I think engagement activities are key in that area."

TIM CAMPBELL: "I would like to take this opportunity and ask what people think about exclusions. From a personal point of view, I get quite depressed when the answer is exclusion because it's not as if these companies are going to go away. It just means that you're no longer having that conversation with them, which seems counterproductive to me."

CASPER KENDRA: "I think we're all on a journey when it comes to exclusions. It obviously used to be a big part of the ESG discussion but I think it's less important today and we're all focusing more on engagement. I do, however, still think we need exclusions for specific areas, such as tobacco and unconventional fossil fuels. So I think it's ok if you make some exclusions within these specific areas but I don't think we should exclude thousands of companies but rather combine exclusions with engagement. At the end of the day, it's about the ability to move companies in the right direction. That might be difficult because if you're managing a fund or selecting a manager, there can be companies in the portfolio that don't do well on some external ESG scoring but you know are working to improve."

FIONA MANNING: "I think we as managers could do better but it's also a struggle because many of these issues are all somewhat grey in nature and as ever, the devil is in the detail. One of our challenges is helping fund selectors and our underlying clients to understand the nature of the conversations we're having and how effective those ESG engagement are. What kind of milestones are we setting and over what kind of time scale? I think you're right, Casper, that the combination of a small number of negative exclusions combined with the power of engagement can result in the best outcome, both from an ESG and positive impact perspective but also from a financial returns perspective. I think one of the differences between the European equity market and emerging markets is that the 'ESG improvement trade' has already happened in Europe whereas in emerging markets, that's still at a very early stage. As fund selectors you of course need to be able to hold managers to account. You need to see that your manager genuinely integrates ESG and that the fund managers have a fundamental belief that considering ESG risk and opportunity adds value within the portfolio. Here, I think we as portfolio managers can further improve on reporting and being transparent."

WIM-HEIN PALS: "I agree – there's an awful lot we can do. To illustrate, let's take Brazilian iron ore mining. China needs millions of tons of iron ore, also in the next couple of years, so iron ore seems to be a good commodity to invest in from a portfolio manager perspective. But you don't want to be anywhere near those tailing dam disasters. So that's why we've been engaging together with a couple of other asset managers with these Brazilian iron ore producers. Yes, we have iron ore in the portfolio but we're not invested in the companies that have these risky tailing dams as there are other techniques and technologies in the iron ore mining industry. We're just one player but if we all focus on the 'green' mining rather than 'brown' mining, that goes a long way."

GUSTAF SJÖSTRÖM: "I just wanted to comment on what Fiona said about transparency, because for us the available data in many cases come from external vendors of ESG data. So if a manager is investing in a company that's in transition, it's a challenge for us to fully understand as we don't have access to the same metrics and the goals that the manager has set up. Getting more insight from fund managers, especially with regards to companies that fall in the 'grey zone', would be very helpful for us going forward."

NIKLAS TELL: KRISTOFFER, WHAT ARE YOUR THOUGHTS ON REPUTATIONAL RISKS WHEN IT COMES TO INVESTING IN COMPANIES THAT ARE TRANSITIONING? ON THE ONE HAND, INVESTING IN THESE COMPANIES SHOULD BE GOOD FROM A SUSTAINABILITY AND A PERFORMANCE POINT OF VIEW BUT IT MAY ALSO BE CHALLENGING IF YOU HAVE TO EXPLAIN TO THE MEDIA WHY YOU HAVE THESE 'BAD' COMPANIES IN YOUR PORTFOLIO.

ROUNDTABLE – EMERGING MARKET EQUITIES

FIONA MANNING
Senior investment director in the global emerging markets equity team at Aberdeen Standard Investments.

TIM CAMPBELL
Partner in the clients department and chair of the emerging markets product group at Baillie Gifford.

WIM-HEIN PALS
Head of the Robeco emerging markets equity team and lead portfolio manager of the global emerging markets core strategy.

KRISTOFFER BIRCH: "I would defend the positions of my active asset managers, backed by the thorough bottom-up research and details that a specific company is on a journey towards something better. I would rather not exclude a company for reputational risks purposes. My philosophy is that every company that we own should be on this journey towards reducing their own negative impact on the planet. I know that a lot of companies aren't on that journey yet but that's why we really need the help of active managers that talk to these companies and can forward our expectations as investors. I do acknowledge that there are some companies that are probably lost causes in some way and we do have exclusions, especially on controversial weapons and companies that continuously breach international norms. It's also easier for us to exclude a company if we don't have a partner that's willing to engage or able to engage on our behalf."

CASPER KENDRA: "I just wanted to follow up on what Wim said about that we can all do more. When I meet managers, I always ask who they are collaborating with when it comes to active ownership and engagement. There are, of course, some efforts in place, such as the Climate Action 100+, and that's great. But I really think we can do more if we collaborate because the bigger the better. A single manager might be a small and insignificant owner of a company but together with others, they are in a better position to advocate for the changes they would like to see."

NIKLAS TELL: MANY OF YOU HAVE TALKED ABOUT ENGAGEMENT AS A KEY PART OF THE SUSTAINABILITY WORK. WOULD YOU AGREE THAT EMERGING MARKET IS BETTER SUITED TO ENGAGEMENT COMPARED TO DEVELOPED MARKET BECAUSE THERE'S MORE POTENTIAL FOR ACHIEVING CHANGE?

CASPER KENDRA: "I don't know if you need to do more in emerging markets because there's still a lot to be done in developed markets as well when it comes to engagement. Another angle that I find interesting is the trend towards decarbonisation and adhering to the Paris Agreement. To reach our goals, we will need to make investments and in the beginning, that could also mean investments in companies that score poorly on ESG, which is an interesting dilemma."

TIM CAMPBELL: "I agree because we will, of course, need a lot of metal in order to transition and meet our decarbonisation goals. One company that we're having conversations with, and could be illustrative of the dilemma that Casper is mentioning, is Norilsk Nickel. It's a company that's producing nickel, which is vital for the electrification of the car fleet because nickel is such a key component in batteries. But it has an awful track record in terms of environmental disasters. The conversation we're having is to encourage the company to spend as much money as required to improve their sulfur dioxide and carbon capture, to improve labour safety and obviously to not dump toxic waste into the tundra. Its initial response in our discussions was that it wouldn't improve the company's bottom line. We will see over time whether it turns out to be a fruitful discussion but there are at least encouraging signs. It's all about the direction of travel and what we can do to influence that."

WIM-HEIN PALS: "It's not about emerging or developed markets. Asset managers need to engage globally. Some developed market energy companies are legally forced to speed up their paths towards net zero but they are also selling their shale oil operation as a way to decarbonise. Who's going to buy that? Probably a Chinese or Saudi company. In a sense, the institutionalisation of developed markets is much further ahead compared to emerging markets and so these shale oil assets will end up somewhere in an emerging country. Then it's up to us as asset managers to talk to the management of those companies and to engage with them. It's therefore a global problem as we want to get rid of shale oil worldwide and not end up in a situation where there's shale oil in a couple of pollutive emerging market companies. It's a global phenomenon and we're running the risk of transferring the assets from one geography to another without losing the pollution."

NIKLAS TELL: IF WE TAKE A STEP AWAY FROM ESG, HOW DO YOU WANT TO ALLOCATE AND APPROACH EMERGING MARKETS? DO YOU PREFER A GLOBAL APPROACH OR DO YOU FOCUS MORE ON REGIONAL EXPOSURES?

MIKAEL ALEXANDERSON: "We have some USD 3 billion invested in emerging market equities in our life portfolio, which is a mix of actively managed global and regional strategies. We also have a good blend of different styles across growth and value as well as different market caps. In addition, we look at how managers are expected to add value and we have exposure to managers that are more top down as well as bottom-up managers. I think this approach offer the best risk-adjusted returns over the longer term."

NIKLAS TELL: KRISTOFFER, YOU RECENTLY TENDERED YOUR WHOLE PORTFOLIO SO I'M ASSUMING YOU'RE UP TO DATE WITH WHAT YOU'RE LOOKING FOR. WHAT'S YOUR APPROACH TO EMERGING MARKETS?

KRISTOFFER BIRCH: "It's really easy for us because our cost of re-tendering managers is very high and we have a limited portfolio in terms of assets under management, so we only go for global developed or global emerging market managers. We simply can't afford to have regional managers. I do, however, see the advantages of having regional managers as well as local analysts to bring local expertise and to find interesting companies within their own region – companies that are under-invested or under-analysed. However, it's not for us."

NIKLAS TELL: WHAT ABOUT CHINA? CONSIDERING THE SIZE OF THAT MARKET, DO YOU CONSIDER KEEPING CHINA SEPARATE FROM A GLOBAL EMERGING MARKET MANDATE OR DO YOU THINK THERE WILL COME A TIME WHEN YOU DO NEED TO CONSIDER THAT SPLIT?

KRISTOFFER BIRCH: "I think that would be the same as a global allocator looking at global developed markets ex US. I don't know anyone who does that. I would leave that decision to my active manager because I don't have the competence to allocate between individual countries. For me, it's a no-go."

MIKAEL ALEXANDERSON: "That's something we've talked about internally as China's weight in the benchmark is now close to 40 per cent. We're obviously thinking about how to best allocate our money in the asset class going forward but at the moment we use the standard benchmark and our global emerging market managers are measured against this benchmark."

TIM CAMPBELL: "I agree with Kristoffer's approach. When you look at the investment industry as a whole, you find that local managers tend to outperform the local benchmark by more than a global emerging market manager would. However, at an aggregate level the people who are doing it regionally and are breaking the allocation down by country lose all that alpha and more on the allocation piece. That's because there are long periods of time where you just don't want to have any exposure to particular countries. It therefore seems that a broader mandate gives you a better shot at having sustainable alpha."

WIM-HEIN PALS: "I think you need to have China to achieve good diversification from a global equity perspective. China is so uncorrelated with the S&P 500, which makes it very interesting to have in your basket and you don't want to take some 37 per cent of assets away from your universe. And you would be way behind on performance if you didn't have China in 2020. I think both A and H shares are very interesting, in particular A shares. You don't want to miss out on the on the boom in Chinese local shares in the next decade as the Shanghai and Shenzhen markets will completely overshadow Hong Kong in 10 years' time."

FIONA MANNING: "We've found that there are huge advantages in having a single team but in different locations. We have team members based in London, Sao Paolo, Singapore, Shanghai and Hong Kong, amongst other places, and that local presence makes a significant difference. That's especially true outside of the larger index constituents that do not typically roadshow quite extensively and have very sophisticated IR teams. If you're going down the market cap spectrum into the mid-cap and small-cap spaces, where you can find some quite interesting ideas, having a local presence makes a difference. And going back to the ESG question, our ability and success in engagement is directly linked to the fact that we have portfolio managers on the ground that are able to build that dialog over time. Also, knowing who you're investing alongside remains critical in emerging markets. I think even though we've seen the balance of relative risks shift more to environment and social risks, governance is still a key material driver of returns in emerging markets."

NIKLAS TELL: MIKAEL, YOU MENTIONED BEFORE THAT YOU HAVE EXPOSURE TO BOTH GROWTH AND VALUE AND WE HAVE SEEN SOMETHING OF A REVIVAL OF VALUE LATELY. IS THAT THE CASE IN EMERGING MARKETS AS WELL AND IS IT HERE TO STAY?

MIKAEL ALEXANDERSON: "We have a blend of managers, covering growth, value and some core managers. On aggregate that has worked very well for us. We let the underlying managers manage their portfolios according to their own styles and we don't take bets on individual styles. We're long-term investors."

KRISTOFFER BIRCH: "I might need to take a step back and explain that we focus a lot on factors: both in terms of the overall portfolio exposure but also when selecting managers. There, I tend to strip out the hidden tailwind from individual factors in the manager performance. For the overall portfolio, I want to have a balanced

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> *– Tim Campbell, Baillie Gifford*

exposure to the five different factors that we focus on: quality, value, momentum, low volatility and small cap. Obviously, that doesn't include growth. Just as Mikael mentioned, we're long-term investors and we would like to see the benefits of harvesting risk premia on a diversified portfolio over time. My personal view is that we might see a prolonged value outperformance against growth in the next couple of years. I don't tend to time the value versus growth exposure very much but we've tweaked our overall portfolio towards value just a little bit."

NIKLAS TELL: WE'RE CURRENTLY LIVING THROUGH A GLOBAL PANDEMIC. WILL THERE BE ANY LONGER-TERM IMPACTS, POSITIVE OR NEGATIVE, FOR INVESTORS IN EMERGING MARKETS?

TIM CAMPBELL: "It's really too early to tell. At this stage, it has accelerated the level of disruption that we've been seeing in a number of different types of businesses. The obvious ones are online e-commerce, and so forth, but also in things like healthcare and finance. One example is e-commerce companies in China where it used to be said that people over the age of 45 were unlikely to ever come online on any massive scale but this group is now, through necessity, where we see one of the biggest incremental increases."

WIM-HEIN PALS: "Covid has also led to outrageous valuations in some of these growth names and growth sectors, particularly in China. That has come to an end as we've started to see some underperformance in those areas. We have a value tilt and given the kind of environment we're in, investors are not going to pay these outrageous valuations. Growth will be less scarce in a post-Covid world and we will not see the valuation levels of some of these companies that we saw at the end of 2020 anymore. If we're just at the start of tapering – in an era of monetary tightening – we're going to see abundant growth and that's good for emerging markets as an asset class and good for emerging market value as a style. That's what we're positioned for. I agree that it's quite hard to imagine that growth will underperform in the next decade after such a strong decade. However, if you look back 40 years, value outperformed growth so it's about time for value as a style in emerging markets."

GUSTAF SJÖSTRÖM: "We've seen some companies deciding to move production closer to their end markets. What do you think will be the effect on emerging markets?

FIONA MANNING: "We've certainly seen that trend, which has been exacerbated by challenging international relations and we've seen quite extensive disruptions that are upsetting supply chains. Within Asia, it has provided opportunities for markets outside of China. So not so much near sourcing but more diversification of supply chains and that has accelerated growth for smaller Asian markets. We're also starting to see a re-igniting of growth in more proximal markets to the US, such as the border regions of Mexico. Another trend is emerging market companies looking to acquire in developed markets. They're setting up their own operating assets within the US or within Europe so that they're considered more clearly as domestic operators."

NIKLAS TELL: WHAT ABOUT POLITICAL RISKS IN EMERGING MARKETS?

FIONA MANNING: "It's certainly something we consider. The last couple of years have been really dominated by the political relationship between China and the US and if we were having this conversation 18 months ago, that probably would have dominated the conversation. It will be interesting to see whether the shift in the political environment in the US will result in a more constructive relationship or whether the status quo will be maintained with regard to the US/China relations and also with regards to the US/Russia relationship. So yes, political risks have always been a factor in emerging markets and it will remain a factor within emerging markets that managers need to be conscious of."

WIM-HEIN PALS: "You can't do without judging political risks in emerging markets and I don't want to end on a negative note but fasten your seat belts if we get Lula back in Brazil in next year's elections. You can also look at the political situation in Turkey and the central bank interference. That's so important from a country allocation point of view. It's both geopolitical issues, such as Russia versus US and China versus US, but it's also these local elections that are crucial for your alpha opportunities. At the end of the day, it's really a crucial element in judging the attractiveness of a country and, as mentioned earlier, a currency."

TIM CAMPBELL: "There's an irony here that most of the risk actually comes from countries that have a functioning democracy. There's far less visibility over what's going to happen there. With Putin, you pretty much know that he's going to be there for a long time and you've got a pretty good indication of what the trajectory looks like. In one way, that's positive but also deeply negative in another way."