



05/02/12: My Presentation at The University of Missouri

As a result of several speaking engagements last year, I was invited to The University of Missouri's day-long Personal Finance Symposium to speak last week. I have given the same presentation several times now, and it's on the research I've conducted on Emerging Markets and what's going on in this high-growth investment category. At last week's conference I spoke to an audience of academics, students, accountants and advisors. To cut to the chase, I've made two primary conclusions from my research, and they are:

American investors, including professional advisors, generally have a very low allocation to those countries that today are identified as "emerging markets" or "emerging countries", with an equity allocation of around 10% or less, yet these countries (which include China and Brazil) together have grown to approximately 30% of the world's market capitalization (total size of stock markets) as well as 45-50% of the world's economic growth. You can do the math here, but I will spell it out: our allocations to these high growth regions are too low.

The term "Emerging Market" no longer means what it was intended to mean 30 years ago when the term was introduced into our investment vocabulary, and should be scrapped from our terminology. In the 1980's, the term referred to countries that had an income per capita (or per person) of \$10,000 or less. Very poor countries, basically. Before the 1980's, if anyone remembers back that far, they were called "Third World Countries." However, today's multiple definitions have come to include numerous and often confusing characteristics, many of which are debatable. There is actually no broad agreement on the definition of an emerging market today, and since this picture is only going to get muddier, I suggest we eliminate the term altogether. (For example, China is currently considered an Emerging Market, yet it has the second highest economic output in the world, after the U.S., and it has the third largest number of millionaire households, after the U.S. and Japan. Is this really a country that is still emerging?)

This is the very short, cliff-note version of my presentation. As a result of this research, I have adapted a new approach to allocating assets around the world's investment markets, and I think it makes sense, given the growing confusion over what constitutes an Emerging Market. I have received positive feedback from the audiences as well (which is always nice!). Here is a link to the blog for the follow up comments from my presentation: <http://mufinancialtip.blogspot.com/>, and here is a link to the presentation itself: <http://pfp.missouri.edu>. My presentation can be found in the left hand column and is called "Allocating to Emerging Market Equities: Why, How and How Much".



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Just giving you all a little insight into what I've been up to lately. A day in the life, or something like that.
Thanks for reading!

Click below to view the presentation

http://www.youtube.com/watch?feature=player_embedded&v=lzNt4S7d-4s