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## **Advisers optimistic on emerging markets sector after years of poor performance**

The appetite for emerging markets is steadily returning and advisers are optimistic on the sector's general outlook for this year, according to insight from Cofunds.

Research\* from the leading general investment platform shows two thirds (67%) of advisers expect to invest in the emerging markets sector during 2014 after months of subdued activity. When asked if they have seen a change in where business is placed over the last 12 months, over half (57%) of advisers admitted to having seen a decrease in emerging market business.

A significant number (88%) of advisers said they would spread risk by investing in a general emerging market fund rather than an individual country fund. Conversely, advisers who invest in individual countries anticipate increasing their clients' exposure to emerging market funds investing in Brazil, India and China.

Over three years to 28 July 2014, the Global Emerging Markets sector returned a sector average of -3.6%, according to figures from Morningstar. However further evidence suggests advisers are now focusing their attention on a sector that has lost favour with many investors. Cofunds has seen a seismic shift in attitudes towards the sector, with Q2 net sales up 159.6 percentage points from the previous quarterly reading. Encouragingly, almost half (43%) of advisers describe their outlook for the emerging markets sector as 'optimistic'.

Emerging markets have historically been viewed as a risky bet but market sentiment is starting to turn in many regions, largely driven by the impending elections in some of the 'fragile five' countries - India, South Africa, Turkey, Brazil and Indonesia. In India, the strong macroeconomic data and the recent victory of the reputedly business-friendly Narendra Modi stoked the Sensex to cross the 25,000 mark, an all time high.

Adam Smith, Commercial Director at Cofunds, commented:

“Fears about the impact of the US winding down its quantitative easing stimulus prompted many investors to pull their cash out of emerging markets. Investors had a particularly turbulent time in the first three months of the year, when markets fell by around 10 per cent.

“As the underlying economic conditions within emerging markets appear to be improving, the sector is beginning to look like an attractive proposition again for advisers looking to diversify their client portfolios and spread their exposure.”

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**Notes to editors**

\* Cofunds research conducted amongst 243 advisers in May 2014

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\* **Source Fundscape at 31/3/14** (nb these assets are made up of Cofunds and Investor Portfolio Services)