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Emerging market debt gaining traction

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Investor interest in emerging markets sovereign debt has grown in recent years, reflecting improvements in public debt management, according to Global Evolution.

Global Evolution, a boutique investment manager, said that although interest in the asset class has strengthened, investors still remain under-allocated.

Global Evolution co-founder and chief investment officer Morten Bugge said: “A strong case can be made that there are good risk-adjusted opportunities to be found in frontier and emerging markets.”

Global Evolution pointed out that the asset class has improved its risk profile significantly. Many emerging market countries now issue longer dated and fixed-rate debt in their own currency.

“These changes, along with lower levels of public debt overall, have made public sector balance sheets more resilient to risks such as exchange rates, commodity prices and interest rate shocks,” a statement by the firm said.

Mr Bugge argued that when investing in emerging markets, investors should be “wary of passive approaches”.

“We undertake in-depth research into factors such as the strength of the domestic economy, balance sheet strength, monetary policy, political stability and institutional strength,” he said.

Global Evolution will visit Australia in November to market their sovereign bond and currency strategies. They will be represented by Clearway Capital Solutions.

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