



MSCI Emerging Markets: We're buying the next tranche!

No substitute for this ETF: Why an ETF instead of a stock? We have extensively examined a range of investment companies, even those from the second tier, to capture the potential of emerging markets. However, to approximately replicate this position, we would need to include at least seven to ten additional individual stocks in the portfolio. This would lead to an oversized portion, especially with equal weighting, making it challenging for many individual investors to replicate the portfolio. If this topic interests you, feel free to check out our Premium Investing Service VF-Emerging, where our colleagues exclusively focus on emerging markets.

The "China" factor: Moreover, most of the companies eligible for purchase due to their market position are from the Chinese region. While we have deliberately not removed China from the portfolio and accept the associated risks, we do not want to create an overweight position.

"Ex-China" alternative: Important: If you prefer not to have any Chinese stocks in your portfolio, you would need to forgo this ETF, as the China component here is just under one-third (see page 2). There are several emerging market ETFs without China as alternatives. Whether we like it or not won't matter, but most experts anticipate that China will surpass the USA as the world's largest economy. Hence, we consider a noticeable portfolio allocation appropriate.

Why Emerging Markets at all? Emerging markets grow significantly faster than established markets. Although India, Indonesia, South Korea, and most South American countries are essential, China's share has decreased significantly since our initial purchase. Ray Dalio has recently reiterated that China represents a "historic opportunity" in the medium term, despite the ongoing political confrontation with the West.

Growth boost after Corona: The MSCI Emerging Markets Index is still trading well below its all-time high and can be considered "cheap," especially compared to US indices. Many emerging markets have suffered more significantly under the Corona measures than most industrialized nations. Let's not forget that only the USA, Europe, China, and Japan can virtually print unlimited money to mitigate the negative effects of a downturn. Consequently, many emerging markets ironically show a healthier state balance than the mentioned candidates.

We pay attention to costs: Direct investments in stocks incur no ongoing costs, but it's different for ETFs. BlackRock has issued this physically replicating, accumulating (dividends reinvested) ETF. The annual costs are competitive at 0.18 percent (for the ETF with IE-ISIN). The US ETF is much more expensive at 0.70 percent. If you can buy a comparable product cheaper from your broker, do not hesitate; significant performance differences in indexing are

Long-Term Portfolio: Emerging Markets ETF

not expected. Skepticism toward Chinese stocks is currently high, and as described in the last issue, this phase may drag on. For investors with a long-term horizon, this presents contracyclical opportunities. With a 29 percent share, China still dominates this ETF. However, apart from one position, Tencent, none of the top ten stocks overlap with our LTP holdings, providing further diversification. With a 2.2 percent share, you are also involved in Alibaba through this purchase. Reliance Industries is weighted at 1.13 percent. We expect emerging markets to outperform in the next ten years!



Our conclusion: Investing in individual stocks is the premier class of wealth building on the stock market. In the case of emerging markets, for the reasons described, we opt for an ETF with a clear conscience. The recent weakness could prove to be an attractive opportunity for long-term investors to increase their position. The ETF with the IE-ISIN is primarily suitable for European investors, while the one with the US-ISIN is suitable for US investors.

Buy-Order

ISIN	US4642872349 IE00BKM4GZ66
Transaction	Buy
Exchange	NYSE Arca / LSE
Quantity	27 / 34
Current Price	\$37.00 / 23.05 GBP
Buy-Limit	\$37.50 / 23.50 GBP