

FORGET THE STORY – LOOK AT THE VALUE

Investors love stocks with a growth story or a quality story. The problem with 'story stocks' is that they trade markedly higher on optimistic expectations about the profits or growth that may eventually come – down the road. Often, the story is propped up by high-profile media coverage.

Investors buy these stocks with a view to participating in their future prospects. Each time another investor snaps up a story

stock, its price goes up, further supporting the story. The problem is, the value of these stocks is often out of line with their fundamentals. While a few do go on to live up to their potential, most fail to do so.

And stories don't just relate to individual stocks. Whole sectors and markets have their own stories – beliefs that are repeated so many times that investors come to think they are true.

The problem is, the second you are captivated by a story, you stop looking at underlying value.

At Eastspring Investments, we've deliberately created an investment process for investing into global emerging markets that makes sure we don't fall into that trap. We avoid stocks that are popular and therefore overpriced. We pay attention to unpopular stocks that may be unloved but look attractively valued. Also, rather than competing with the market to guess near-term earnings results, we step back and think about sustainable or normalised earnings.

We end up with good companies at cheap prices with considerable upside potential. This is why we are positioned to outperform in the long run.

Don't pick the crowd favourite
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