

# HOW TO MAKE MONEY OUT OF OTHER PEOPLE'S BIASES

At Eastspring Investments, we believe that all investors bring behavioural biases to the table when they're making investment decisions. When it comes to global emerging markets (GEM), our experience is that people tend to overestimate growth and having overestimated it, then continue to overpay for it. Investors also tend to pay over the odds for the comfort of certainty or less volatile stocks. This is why, in recent times, the rally in GEM markets has driven higher quality stocks to extremely high valuations.

At the same time, emerging markets are full of value names that have been

avoided by many investors. At Eastspring Investments, we believe this huge disparity between value and quality offers GEM investors an extraordinary opportunity – and we are positioned to take advantage of it.

We are mindful that we are as equally exposed to behavioural biases as everybody else. So we put defences into our investment process to make sure we don't fall into the same traps. We deliberately avoid stocks that are popular and are overpriced. And we only do research on the stocks that are unpopular, have de-rated and look very cheap relative

to history and to their peer group.

We also take a longer-term investment horizon, looking at sustainable or normalised earnings – not a near-term focus on quarterly earnings. We spend a lot of time trying to understand what the normalised earnings power of the company is, relate that back to price and where we can get conviction in that, it allows us to be patient waiting for that to materialise as we live through the near-term noise and volatility in the markets.

Finally, to ensure we make investment decisions with our best thinking on the table, we have a strong culture of debate and challenge. Everyone comes to the table as an equal partner in the investment conversation.

The result is that other people's biases create opportunities for us to make money for our clients.

**Don't pick the crowd favourite**  
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