

## Aberdeen

### Emerging Markets Debt – Recognise and capture the positive opportunities

Emerging markets are by nature a risky asset class, but investors who take a long-term view will benefit from the higher yields on offer compared to other fixed income markets. Our constructive view on emerging market is supported by the fundamental backdrop. While growth may have softened in recent years along with the developed world, emerging markets are still growing at a healthy pace that should ensure they can service their debt even in the event of rising interest rates. Debt sustainability remains a key determinant for investors in emerging market debt, and while there are a few countries that could encounter some difficulties in the coming years, the outlook for most EM countries is sound. In our view country risk premiums, or the spread over US Treasury Bonds, overstates the risk of default. This represents a good opportunity for investors who are willing to look through the short-term volatility and focus on long-term returns. Emerging market corporates offer further diversification benefits, and have demonstrated some strong defensive qualities during periods of high volatility. Portfolio selection, as always, is vital.

- EM will continue to offer attractive opportunities for income-sensitive investors
- EM debt sustainability remains intact despite recent growth slowdown
- EM spreads are overstating default risk
- EM corporate bonds can provide defensive qualities given short duration and relatively high credit quality
- EM investors are getting paid to invest in the so-called ‘risky’ asset class

### Kevin Daly, Senior Investment Manager, Emerging Market Debt



Kevin Daly is a portfolio manager on the emerging market debt team. Kevin joined Aberdeen in April 2007 having spent the previous 10 years at Standard & Poor's in London and Singapore. During that time Kevin worked as a credit market analyst covering global emerging debt, and was head of origination for Global Sovereign Ratings. Kevin was a regular participant on the Global Sovereign Ratings Committee, and was one of the initial members of the Emerging Market Council, formed in 2006 to advise senior management on business and market developments in emerging markets.

Kevin graduated with a BA in English Literature from the University of California, Los Angeles.

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