

HISTORY

Celebrating a 30-Year Anniversary

January 26, 2017



Mark Mobius
Executive Chairman
Templeton Emerging Markets Group

This month marks my 30-year anniversary with Templeton Emerging Markets Group! The opportunity to open up new emerging markets, learn about new industries, meet wonderful people around the world and most of all be part of the Templeton emerging-markets family has been a real blessing.

This anniversary had me thinking about the many ways the world—and emerging markets—have changed over the past three decades. I am known around the world as a pioneer in the world of emerging-market investing, going places many tourists and investors alike often fear to tread. As such, I have been given some colorful nicknames over the years, including “The Indiana Jones of Emerging-Market Investing,” which I actually find flattering.

That said, I am not a lone-wolf type action hero. I have had the support and great pleasure of working with a large team over the years and wouldn’t have achieved the success I have had without them. So much has happened over the past 30 years within the markets and our team, including the recent change of Stephen Dover taking over my CIO responsibilities of Templeton Emerging Markets Group in 2016. Even though Stephen has taken on the day-to-day management of the team, I continue to serve as executive chairman and enjoy my work exploring and sharing my views on emerging markets on behalf of Franklin Templeton. I have no plans to stop!

I grew up in New York, and when I first graduated from college and went out in search of work, I contacted alumni who I hoped might help me find a professional job. I didn’t directly ask them for a job, but rather, for their advice on how to build a career. They were all gracious and their words still resonate with me. One consultant I visited had a plaque on his desk that I will never forget. It explained the success of his very prosperous firm. It said: “There is no limit to how far you can go as long as you don’t mind who gets the credit.” In a succinct and eloquent way it conveyed the most elemental truth: Your success depends on the success of other people around you, and by helping them succeed you also succeed.

Meeting My Mentor: Sir John Templeton



With the late Sir John Templeton (at left,
in green)

In the 1970s and early '80s, I had been working as an analyst and broker in Asia and traveled periodically to Nassau in the Bahamas, where the legendary investor Sir John Templeton was based. During one of my presentations to the Templeton portfolio teams, he and I first became acquainted. One day he approached me to lead his new emerging-markets team and manage a new emerging-markets fund he was starting. The investment potential of developing markets had been recognized for a long time, but the actual birth and classification of emerging markets as an investment category in a more formal or recognized way probably could be tied to an event in 1986. The International Finance Corporation (IFC), a World Bank subsidiary, engaged in a campaign to encourage capital market developments in the less-developed countries, which had often been given unflattering designations such as “third-world” nations. At that point in time, a handful of institutional investors invested US\$50 million in an emerging-markets strategy at the behest of the World Bank’s IFC. A year later, in 1987, MSCI developed its first emerging-markets indexes.¹

In 1987, while working for Templeton, our fund became the first of its kind to be listed on the New York Stock Exchange, opening the world of emerging markets to mainstream investors. Back then, we had only a handful of markets to invest in. Today, the team, known as Templeton Emerging Markets Group, operates as part of Franklin Templeton Investments and we invest in more than 60 countries around the globe.

When we started managing emerging-market portfolios, it was a difficult time to invest in many respects. Although there were many emerging-market countries in Asia, Africa, Latin America and Europe that looked exciting to us, very few of them were actually open to foreign investment. There were strict foreign exchange controls and limitations, in addition to a plethora of problems with market liquidity, corporate governance and safekeeping of securities.

We were there at the start of many exciting developments, which included the opening of many markets to wider foreign investment. In the past 30 years, we’ve also seen the end of apartheid in South Africa, easier access to eastern European economies (including Russia), the opening up of India to foreign investment and, of course, China’s embrace of capitalism and rapid urbanization. Today we can invest in a wide variety of emerging markets around the world, as well as a host of “frontier markets,” a designation given to the lesser-developed subsector of emerging markets, which includes the majority of the African continent. We are very excited about the potential for these frontier countries in the next 30 years, as many are growing at a rapid pace and quickly assimilating the latest technological advancements, particularly in mobile finance and e-commerce. Generally, more youthful and growing populations mean consumer power has been on the rise, with a growing middle class.

Keep Asking “Why?”

In my investment career, I’ve found that you need to keep on asking the question: “Why?” Why is that person doing what he is doing? Why is that company making those decisions? What is behind them? By asking such questions, I’ve been able to miss a lot of possible disasters. Asking questions can be uncomfortable, but pioneers in any field have to get used to stepping outside the comfort zone. While the markets have changed quite a bit since I first met the late Sir John, our core investment philosophy remains true to his enduring approach. Sir John made his foray into Japan in the 1950s, which at the time, was considered a poor and developing country. He bravely invested there and other places in the world where others were not. He taught me many things, but one thing that I have certainly embodied is his message that if you want to be successful, you need to keep an open mind and step outside your comfort zone.

I’ve developed a firm belief in getting out on the road and seeing the countries and companies we invest in first-hand, which has me on the road 250+ days a year. Racking up over 30 million miles of flight time hasn’t been easy, but it’s extremely fulfilling.

The Templeton emerging-markets investment team has grown from just a handful of portfolio managers and analysts many years ago to more than 50 today, and we have expanded our on-the-ground presence from just one research office in Hong Kong (opened in 1987) to 20 offices in locations including Asia and the Middle East, Europe and Latin America. These days, I typically travel with my Franklin Templeton colleagues who have local expertise in a particular market to gain additional insights. It is truly a collaborative effort at every stage—we continually challenge each other and ask lots of questions of government officials as well as company executives and management. We like to visit not only corporate headquarters, but factories and the like where production occurs so we can see the conditions and the process, and speak with the workers.

Lies can be as revealing as truth, if you know what the cues are. You have to observe and listen to the signals that will lead to a true understanding. This is one advantage of getting to know the people who run the show and visiting a factory or plant. While you still have to crunch the numbers and do your due diligence before deciding to invest, you just won't get the same type of rich insight on paper alone.

My personal theory is countries that make it easy for travelers to enter tend to be friendly to foreign investment. Whenever I visit a new country, my radar kicks in the moment I hop off the plane and pass through customs. It intensifies as we drive into town, check into the hotel, talk to the cab drivers, walk around the neighborhood and chat with the service staff in shops. I have found that condition of the infrastructure is often a sign of economic efficiency of a country, and while I don't like getting stuck in traffic jams, to me they are a sign of a robust economy.

There's No One Secret to Success, but Optimism Helps

One of the consequences of being featured in numerous media interviews and having such a distinct look is that I often get recognized in airports and hotel lobbies during my travels. People often ask me for investment insights. While I certainly am vocal about my opinions when it comes to investing, there is no simple secret, no single blueprint, no rigid roadmap that will guarantee you, me or anyone long-term success as a global investor. That said, there are important lessons to be learned, and one of those is to stick to your core philosophy and your convictions, whether in investing, or for that matter, in life. I also strongly believe a sense of humility is extremely important—and the market will certainly do its best to keep you humble!

To ensure the next generation continues to explore new frontiers like I have, I always urge young people to see the world and seek new ideas and new opportunities. It's very interesting to see the differences in the way the media in different countries portray the same news or market events, and it's equally interesting to actually witness those same events in the various countries with one's own eyes.

I have definitely seen some disconnect in the way the media have portrayed an incident or conditions in a particular country versus what I have seen and heard from locals. The world is a big place with a wide variety of countries, cultures, languages and industries, but no matter where they live, people are still people and not as dissimilar as many think. At the core—people's hopes and dreams for the future are more alike than not. I think this is a very important message to remember, particularly in the wake of nationalistic or populist movements that have been sweeping many places in the world today. We should not fear each other.

I also attribute a big part of my success to my unbridled optimism. Some people have actually criticized me for being too optimistic! However, I think that if you focus on all the problems in the world today, it's easy to fall into a sense of despair. I see problems as potential opportunities. The fall of communism and the coming together of nations around the world, combined with the emergence of China and India as free-market economies, have created opportunities for the creation of wealth that are unparalleled. I am optimistic about what the future holds. To me, every corner of the world shows promise; the key for finding the best investments is in doing the research.

Mark Mobius's comments, opinions and analyses are for informational purposes only and should not be considered individual investment advice or recommendations to invest in any security or to adopt any investment strategy. Because market and economic conditions are subject to rapid change, comments, opinions and analyses are rendered as of the date of the posting and may change without notice. The material is not intended as a complete analysis of every material fact regarding any country, region, market, industry, investment or strategy.

Important Legal Information

All investments involve risks, including the possible loss of principal. Investments in foreign securities involve special risks including currency fluctuations, economic instability and political developments. Investments in emerging markets, of which frontier markets are a subset, involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with emerging markets are magnified in frontier markets. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions.

1. Source: The MSCI Emerging Markets and MSCI All Country World Indexes were launched on December 31, 1987. Source: MSCI.