Finding hidden GEMs beyond Wall Street

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There is an old Warren Buffett quote that is often used: “Price is what you pay, value is what you get”. Most investors nod along and then go back to buying whatever US large-cap growth stock everyone else is buying. Large mispricings are more likely to be found in areas where few are looking, however, and this should prompt the bargain hunter to start peering into places far from New York and London.

Inefficiency as a feature

The analogy of the global equity markets as a vast library springs to mind. There is something for everyone. The developed markets are the shelf fronts, polished and well-lit. Every book is dog-eared because thousands of analysts, strategists, quants, and newsletter writers have scoured them for insights.

But in the dusty, dimly lit corners at the back are the emerging markets (EM) – books bound in languages unfamiliar, stories half-forgotten, and plots that don’t always tie neatly together. That’s where the value investor begins to feel at home.
The beauty of EM is that inefficiency isn’t a bug; it’s the feature. Earnings reports get misread, governance quirks scare away tourists, currencies wobble, and suddenly a company trading at 10x earnings is thrown out the same window as one bleeding losses.

Brazil 2016–2019: From crisis to a 223% rerating

Take the case of Brazil in 2016. The country was mired in the infamous Car Wash scandal, GDP had contracted more than 3% for two consecutive years, inflation spiked to over 10% and the Brazilian real plunged against the dollar. Equity valuations fell to trough multiples not seen in 20 years as the MSCI Brazil traded below 8x forward earnings – a valuation gap that screamed distress[1].

Yet within the chaos there were gems for value investors. Regulated utilities quietly doubled, driven by strong growth in their returns. In 2017, a market-friendly administration rose to power, implemented fiscal reforms and real interest rates started to fall. By 2018, corporate earnings were normalising, infrastructure spending accelerated and the stock market responded accordingly. By January 2019, the Bovespa Index had returned 223% in US dollar terms from the troughs in January 2016[2] – nearly a 35% annualised return for a country considered untouchable at the time.

[1] Bloomberg, April 2026
[2] Bloomberg, April 2026

Chart 1: Bovespa Index – performance, 2015 – 2020

Source: Bloomberg, 1 January 2015 -28 January 2020. USD. Past performance is not a guide to the future

Howard Marks once wrote, “You can’t predict, but you can prepare.” That’s the essence of EM value investing: the confidence to act when the rest of the world looks away. Temporary crises rarely kill strong businesses but rather obscure them. When visibility returns, markets reprice sharply, rewarding those who endured the darkness.

How we are invested: Petrobras, Korean banks and Orion[3]

Value investing in emerging markets is not adventurism – it’s discipline with a long-term horizon. It’s the realisation that in places like Brazil, Thailand, or Indonesia, mispricing isn’t an anomaly, it’s the norm and creates a rich hunting ground for the discerning investor.

In the Redwheel Global Intrinsic Value (GIV) and Redwheel EAFE Intrinsic Value (EIV) strategies we own several EM names. In Brazil, we hold a position in Petrobras, which currently presents a strong investment opportunity due to its low-cost production base and renewed commitment to disciplined capital spending. The company is launching its 2026–2030 business plan, aiming to balance high-return, flexible projects with substantial shareholder returns through projected double-digit dividend yields, even under stable oil price conditions[4].

In Korea, GIV and EIV have positions in two banks, Hana Financial and Woori Financial[3]. Both names have enjoyed steady loan growth in a growing economy and have low cost-to-income ratios and strong capital ratios[5]. Both undertake prudent lending policies and offer attractive shareholder returns, in our view.

Also in Korea, we hold a position in Orion Corporation, a leading Korean food manufacturer. As one of South Korea’s oldest and largest confectionery companies, Orion has achieved steady growth in both revenues and profits since it was listed in 2018[6]. We believe the company is attractively valued under a conservative base-case scenario, supported by a substantial

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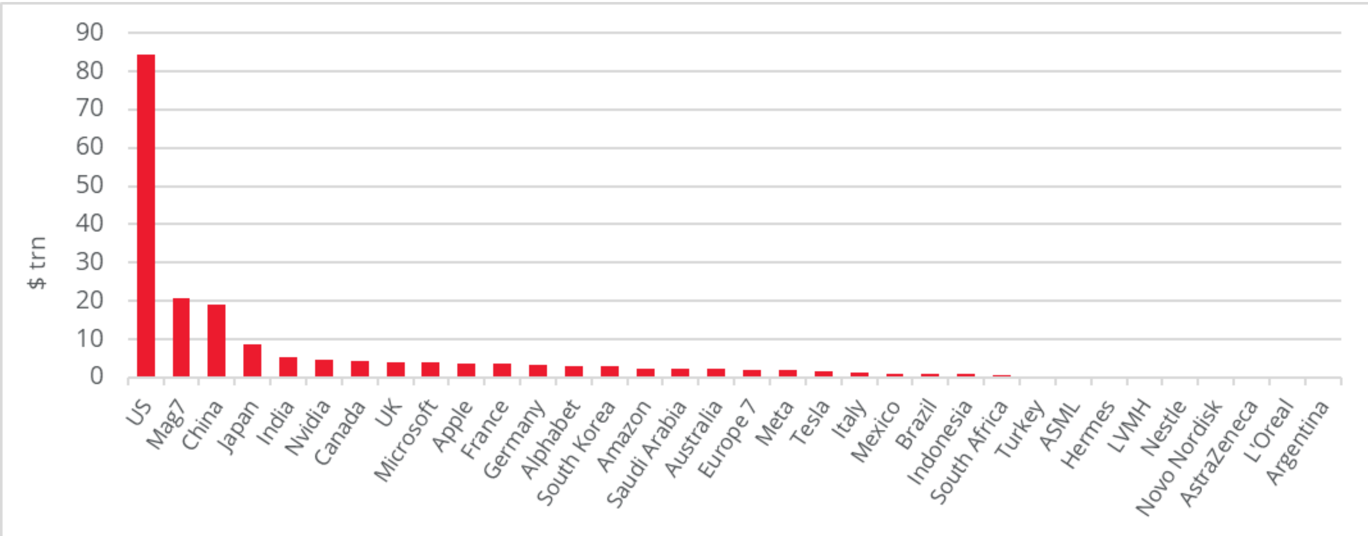
[3] These securities have been selected to highlight the strategy's investment methodology and is not representative of the strategy's performance. The investment strategy holds a broad range of securities. Portfolio holdings are subject to change at any time without notice. This information should not be construed as a recommendation to purchase or sell any security.
[4] Petrobras
[5] Bloomberg, March 2026
[6] Bloomberg, April 2026

net cash position and significant equity holdings in other firms that together represent a meaningful portion of its current market capitalisation.

Why flows matter for EM valuations

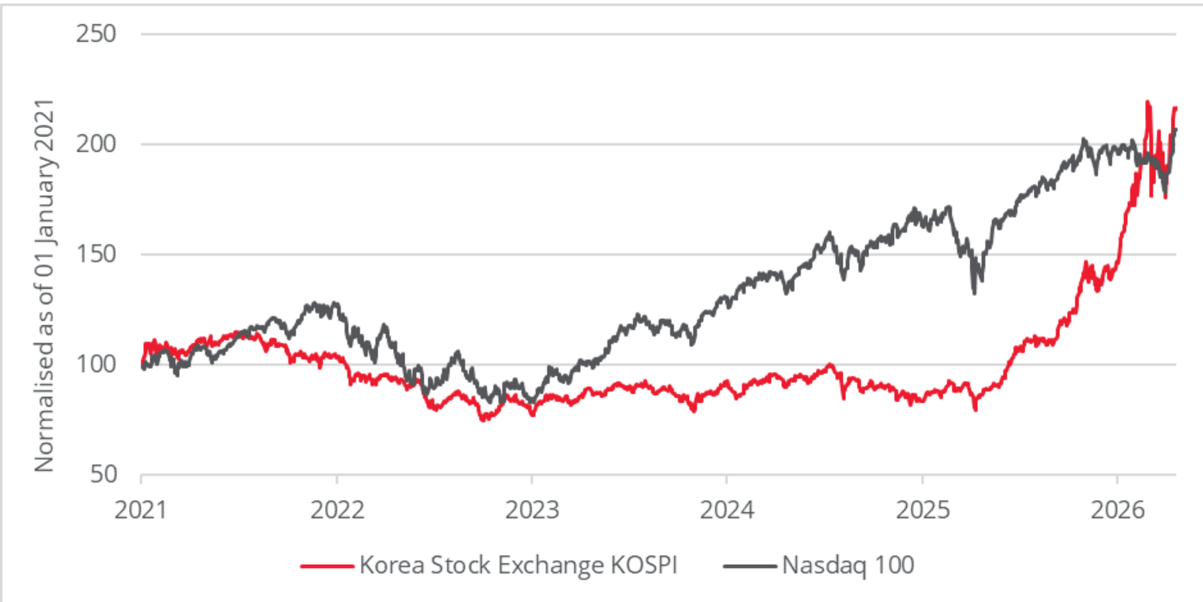
It looks to us that money is already starting to rotate out of US Large Cap Growth stocks into International Value including EM. However, given that three stocks in the US have a market cap in excess of the entire MSCI EM index, this could create a liquidity mismatch that drives up the share prices of EM stocks. The charts below show the potential liquidity mismatch and how quickly certain markets can respond when sentiment improves.

Chart 2: Market cap of listed equities in G20 countries, the Mag 7 and 7 largest stocks in Europe (USD)



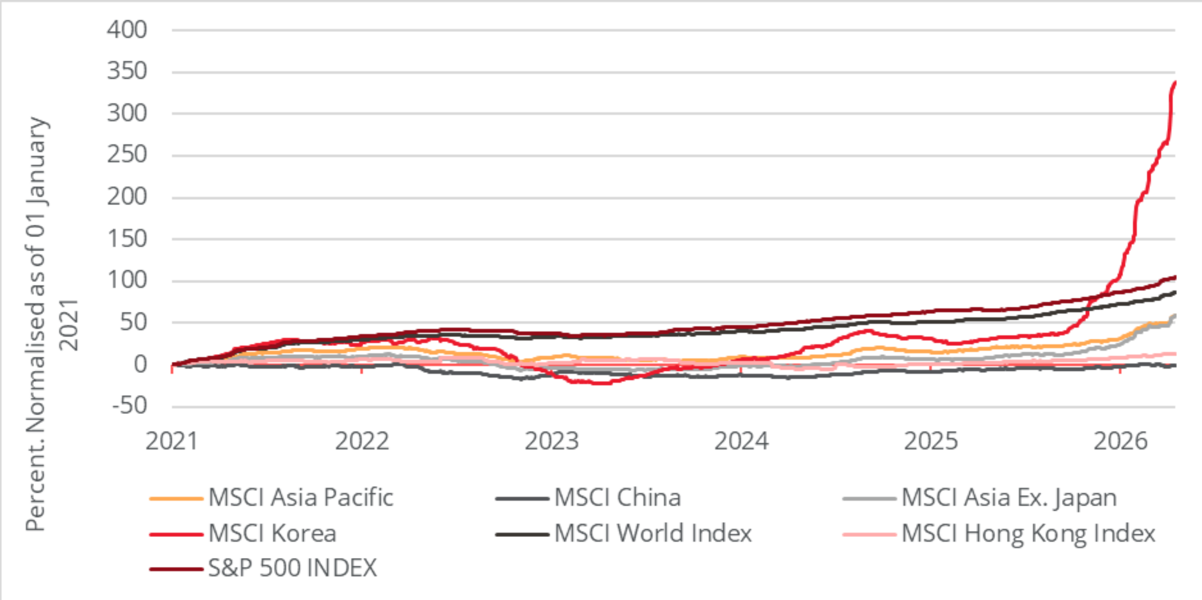
Source: Bloomberg, 31 December 2025. Market cap of all common and preferred stocks domiciled in a particular country, excluding stocks with a market cap below $200m. The information shown above is for illustrative purposes.

Chart 3: The Korean stock market has rallied strongly in the last year



Source: Bloomberg, 20 April 2026. Past performance is not a guide to the future.

Chart 4: Korean names are seeing earnings upgrades that outpace other markets



Source: Bloomberg, 17 April 2026. The information shown above is for illustrative purposes. Past performance is not a guide to the future.

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