

Seven Reasons to Consider Emerging Markets

1 HIGHER PERSONAL SAVINGS RATE

Higher rates enable self-financing of capital expenditures to enhance economic productivity and encourage private consumption expansion in the future.



2 DEMOGRAPHIC OPPORTUNITIES

A higher youth dependency ratio, a lower elderly dependency ratio and a higher working-age ratio predict significant demographic dividends.



50% India's population is under the age of 25²

3 UNDERVALUED CURRENCIES

- Undervalued currencies help local products compete in global markets.
- Potential gain from currency appreciation.



4 HEALTHIER PUBLIC SECTOR BALANCE SHEETS

A low government debt-to-GDP ratio will have a positive impact on economic growth.

Market Type	Ratio
Emerging Markets	35.7%
Developed Markets	113.4%

5 IMPROVED SOVEREIGN CREDIT QUALITY

Increased transparency and significantly lower country risk have led to sovereign debt ratings upgrades, many to investment grade status.



China

	NR	BBB	BBB+	BBB	BBB+	A	A+	AA-	AA-
1989									
1992									
1997									
1999									
2004									
2006									
2008									
2010									
Today									

6 ECONOMIC GROWTH POTENTIAL

Maturation tends to increase liquidity and attracts new investments in equity markets.

	2000	2012
Emerging Markets Avg.	37.2%	54.1%
Developed Markets Avg.	119.7%	93.1%

7 UNDER REPRESENTED IN GLOBAL PORTFOLIOS

Emerging market equities have been significantly underweight in global investors' portfolios.



2.5%: average US investor's allocation to emerging markets.⁶ Meanwhile, emerging markets account for 24% of the world equity market capitalization.⁷

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- Founded in Asia, our roots are in the emerging markets
- Deep understanding of the cultures and dynamics of the markets in which we invest

*Source: *Investment & Pensions Europe*, January 2013
All figures as of March 31, 2013.

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DEFINITIONS

Debt-to-Gross Domestic Product (GDP) ratio is an indicator of the health of an economy. It is the amount of national debt of a country as a percentage of its Gross Domestic Product. The higher the debt-to-GDP ratio, the higher the risk of default.

Demographic dividend is a theory proposing that as countries transition from largely agrarian societies with high fertility and mortality rates to more urban societies with lower fertility and mortality rates, the working-age population will grow more rapidly than the population dependents, creating resources for investment in economic development and, all other things being equal, increasing per capita income growth.

Elderly dependency ratio measures the number of elderly people at an age when they are generally economically inactive (i.e., over 65 years of age) compared to the number of people of working age (i.e., 15–64).

Market Capitalization-to-Gross Domestic Product (GDP) ratio compares the total price of all publicly traded companies to GDP. The ratio is used to determine if the market is overvalued or undervalued. Typically, a higher ratio (100% or higher) indicates that the market is overvalued while a lower ratio (around 50%) indicates that the market is undervalued.

Working-age ratio measures the proportion of the country's working-age population (i.e., 15–64) that is employed.

Youth dependency ratio measures the number of young people at an age when they are economically inactive (i.e., under 15 years of age) compared to the number of people of working age (i.e., 15–64).

SOURCES AND DISCLAIMERS

¹OECD, Bloomberg Business Week. Calculated using the most recent five years of data available for each country. In this graph, developed markets (DM) are represented by the G10 countries: Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, UK and US. Emerging markets (EM) are represented by Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

²United Nations, Department of Economic and Social Affairs, Population Division, 2011

³IMF (2012 estimates)

⁴Standard & Poor's (S&P). S&P defines investment grade as BBB- and above. "NR" indicates not rated. The ratings represent S&P opinions as to the quality of the securities they rate. The ratings are from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Ratings are relative and subjective and are not absolute standards of quality.

⁵Bloomberg, IMF (2012 estimates)

⁶BlackRock, 2012

⁷Bloomberg, 2012

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