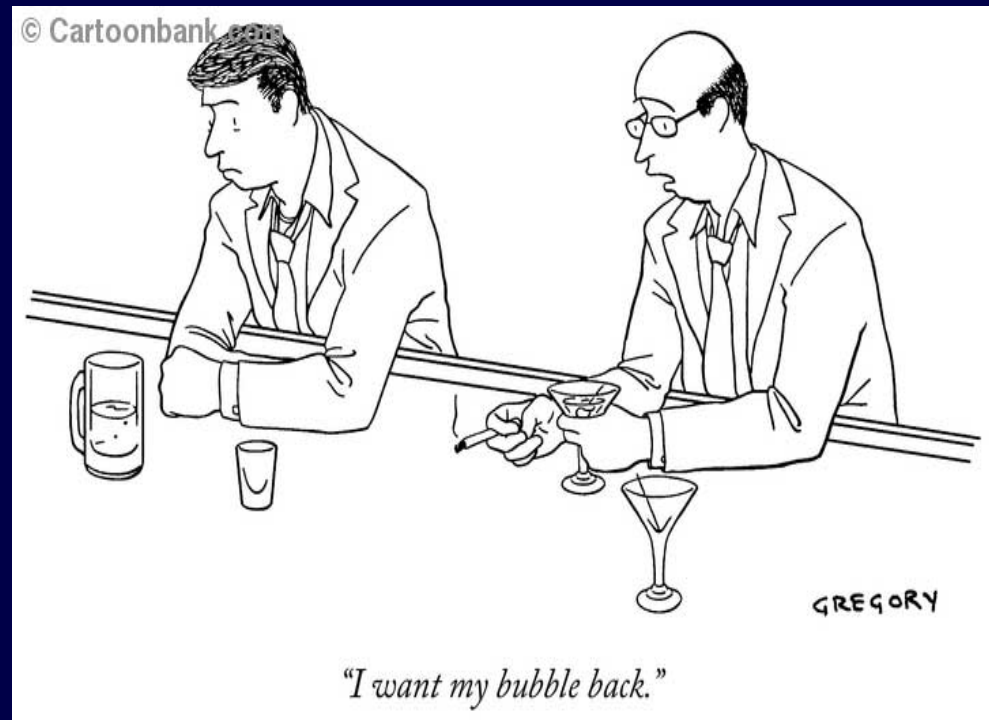


# Emerging Markets Outlook & Opportunities

Presented By:

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Managing Director  
Emerging Markets Research

October 2009



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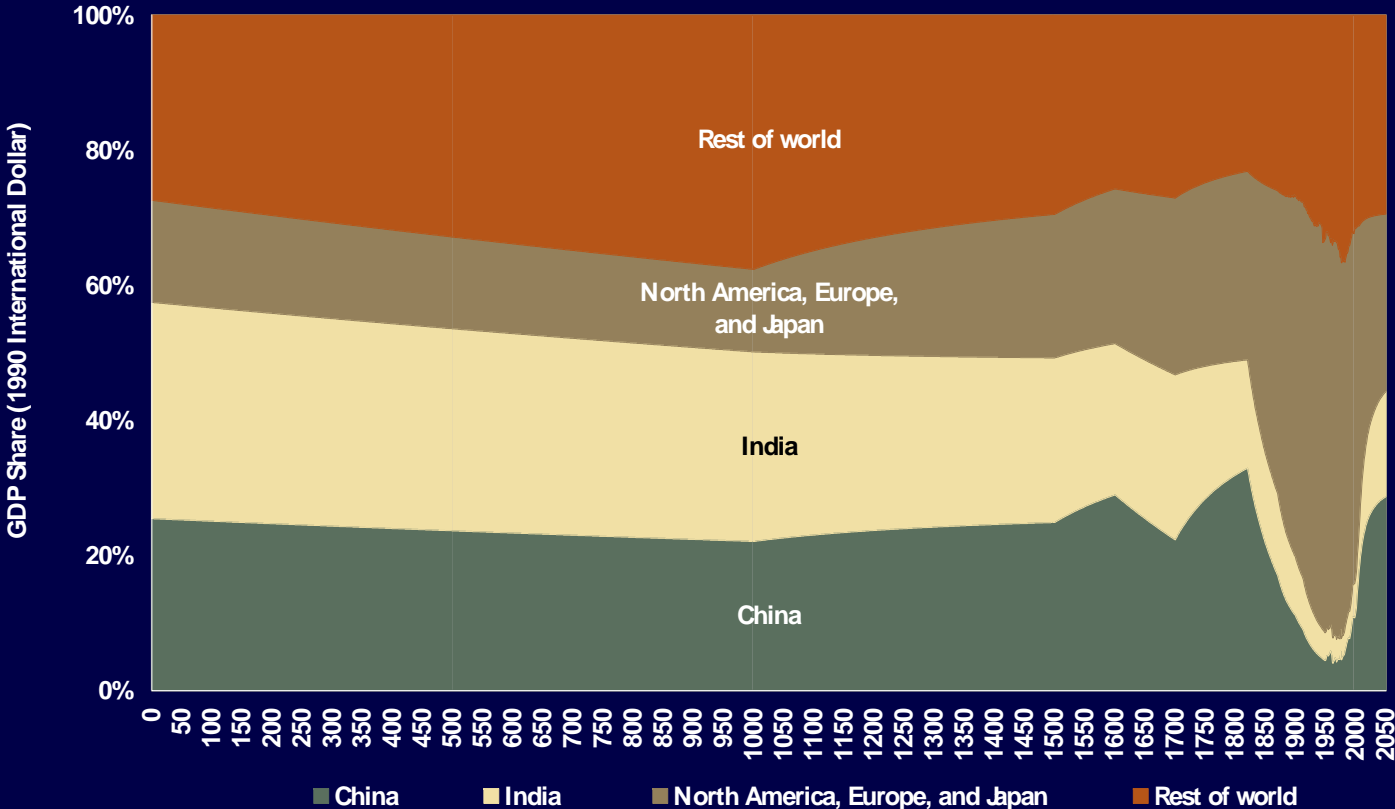
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# Emerging Markets – Macro Outlook

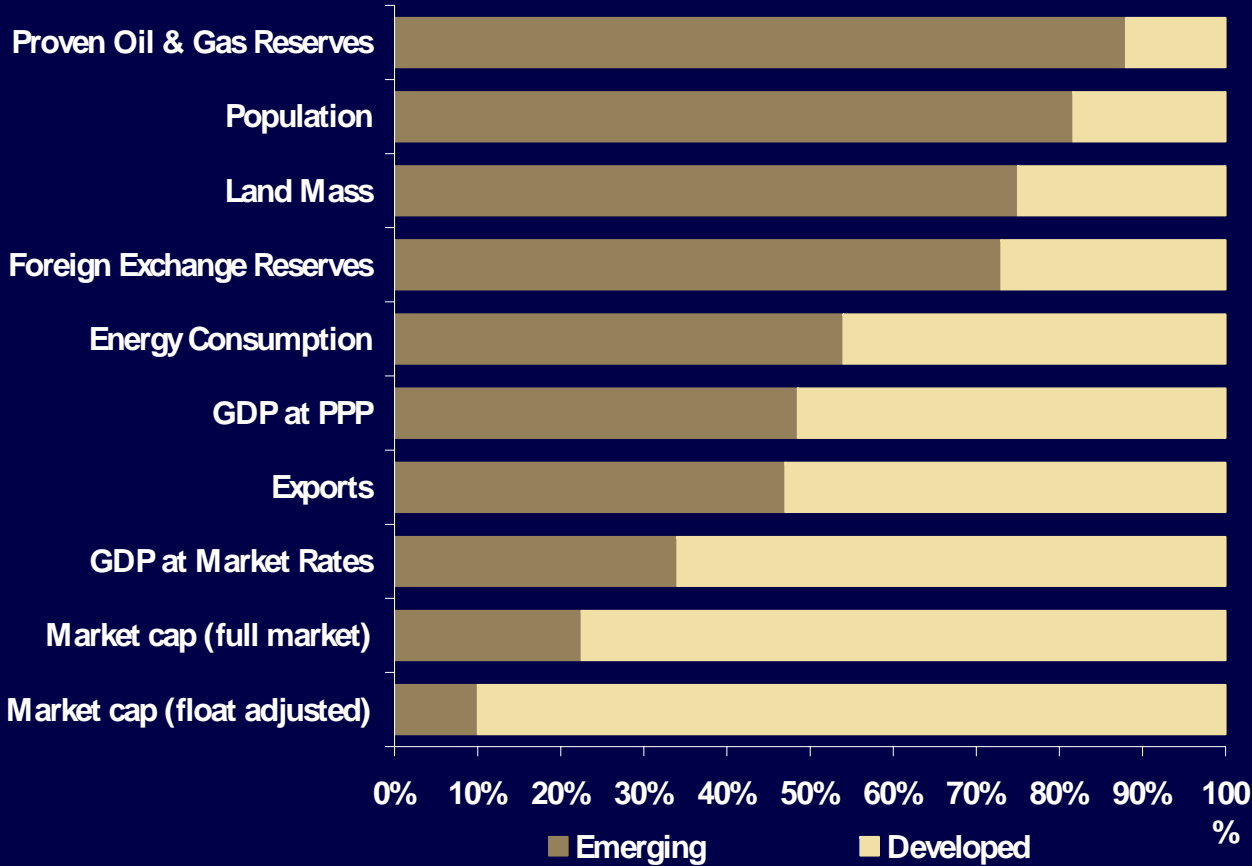
## World History in Perspective: What is 'Normal'?



Source: Angus Madison "Historical Statistics for the World Economy: 1-2003 AD", PricewaterhouseCoopers, Deutsche Bank Global Markets Research

# Emerging Markets – Macro Outlook

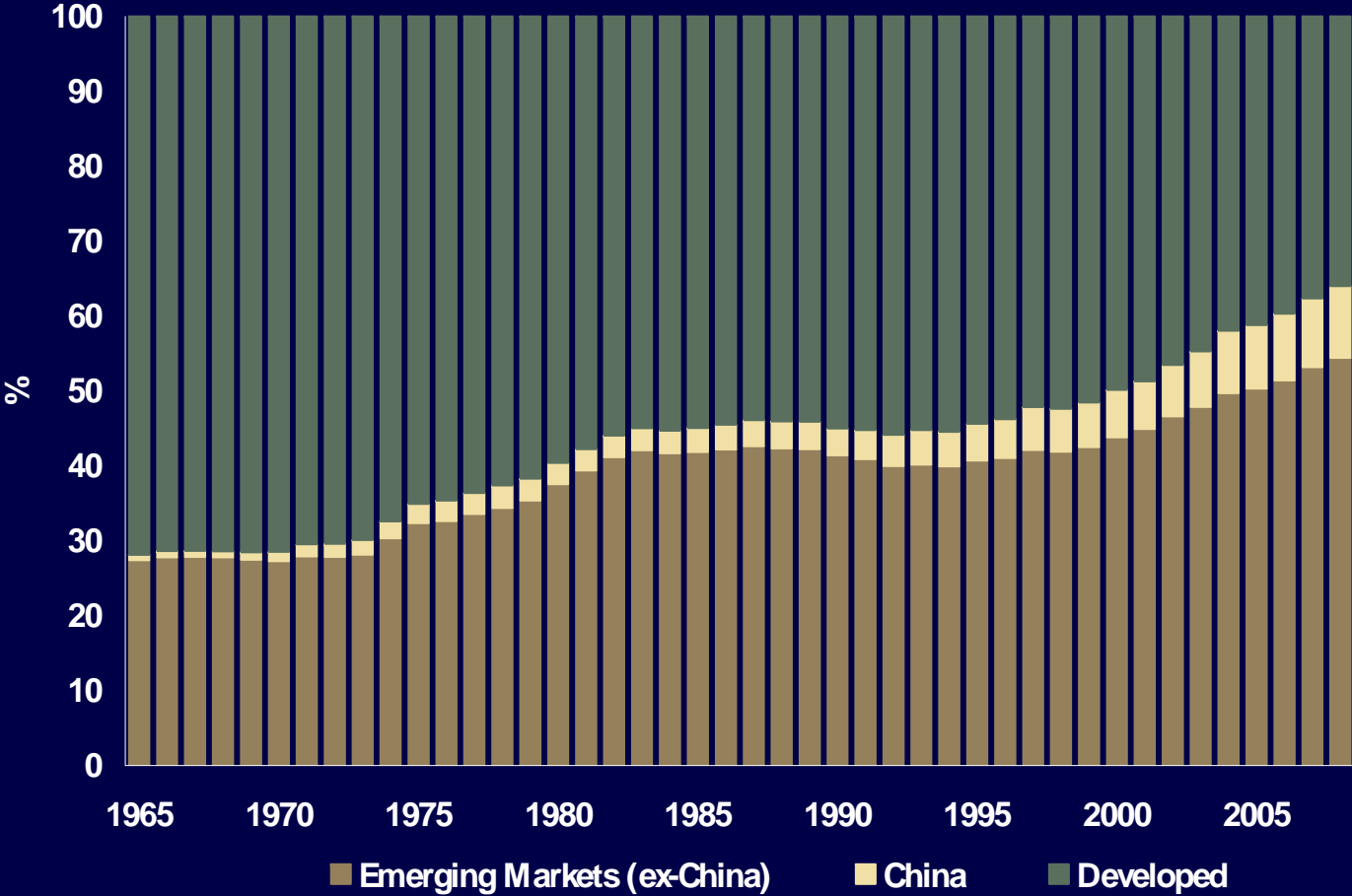
Emerging Economies as % of Total World 2008-09



Source: Merrill Lynch calculations, BP, CIA World Factbook, IMF World Economic Outlook, MSCI

# Emerging Markets – Macro Outlook

Emerging Economies Share of World Oil Consumption – 1965-2008

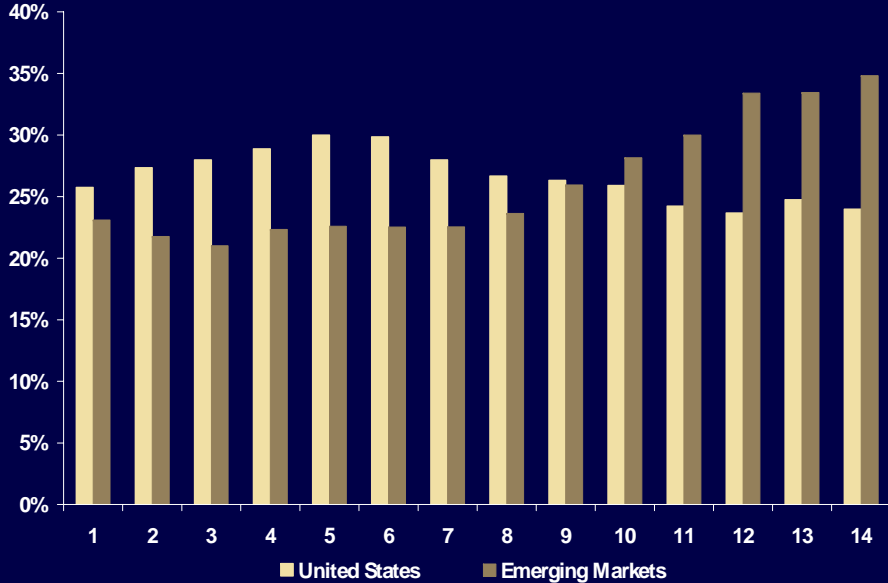


Source: HSBC and BP

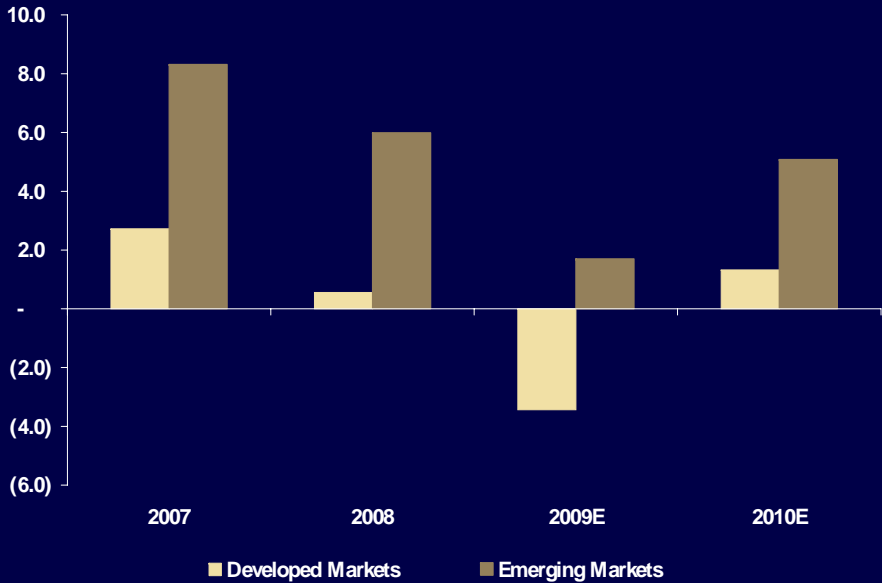
# Emerging Markets – Macro Outlook

## Emerging Economies Share of Global Growth

**EM Share of Global GDP**  
(Nominal US\$)



**Real GDP Growth: 2007-2010E**  
(Annual Percent Change)



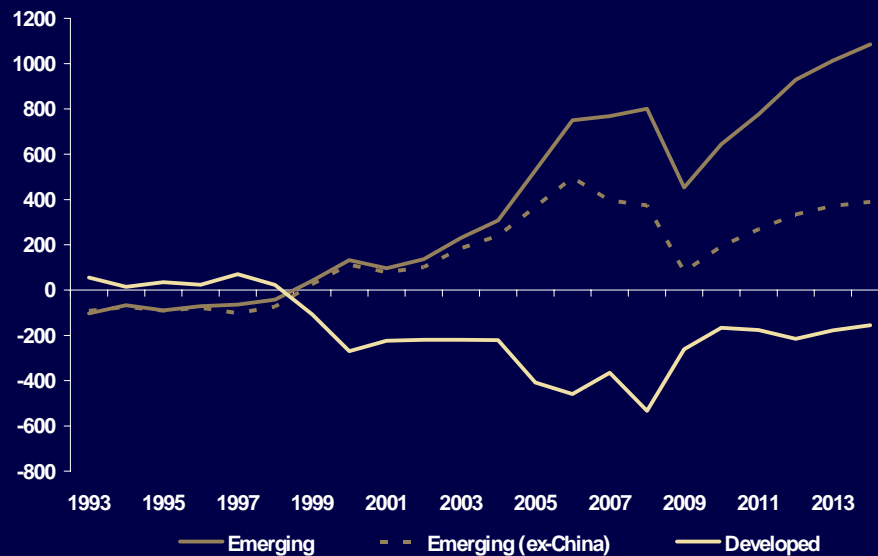
Source: IMF, JPMorgan

# Emerging Markets – Macro Outlook

## Strong Sovereign Cash Flow and Balance Sheet Dynamics

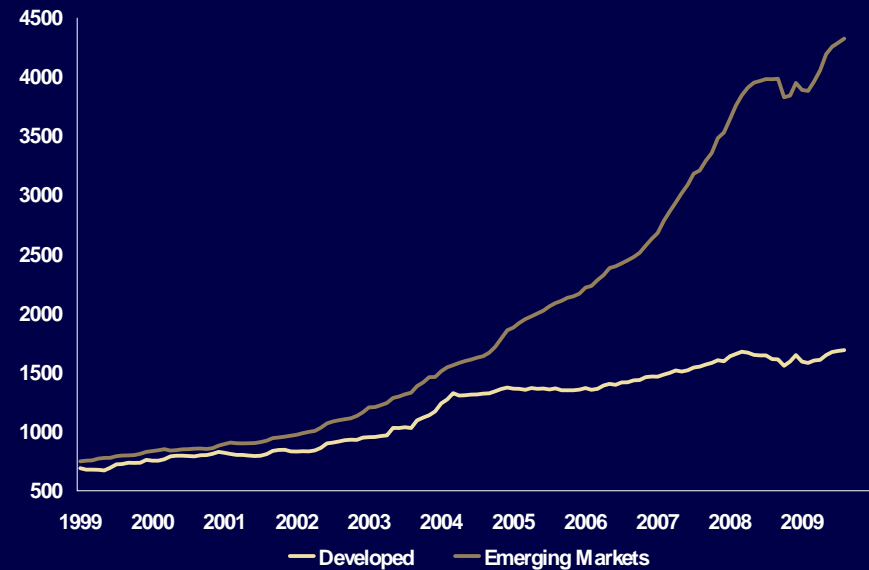
- Current account surpluses in EM versus long-term deficits in DM
- Foreign exchange reserves in EM strong and growing

**Current Account**  
(US\$ in Billions)



Source: IMF World Economic Outlook, October 2009

**Foreign Exchange Reserves**  
(US\$ in Billions)



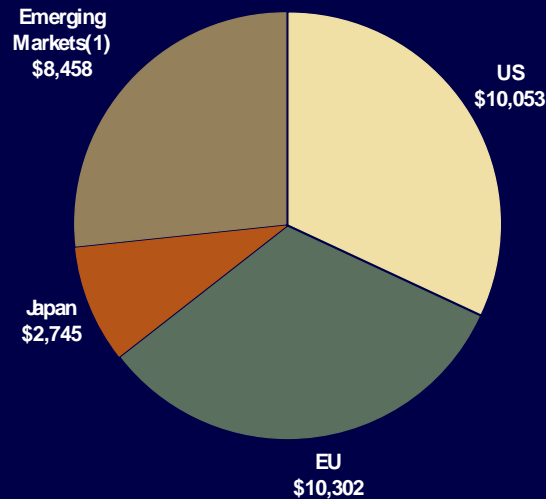
Source: Bloomberg. Data through August 2009

# Emerging Markets – Macro Outlook

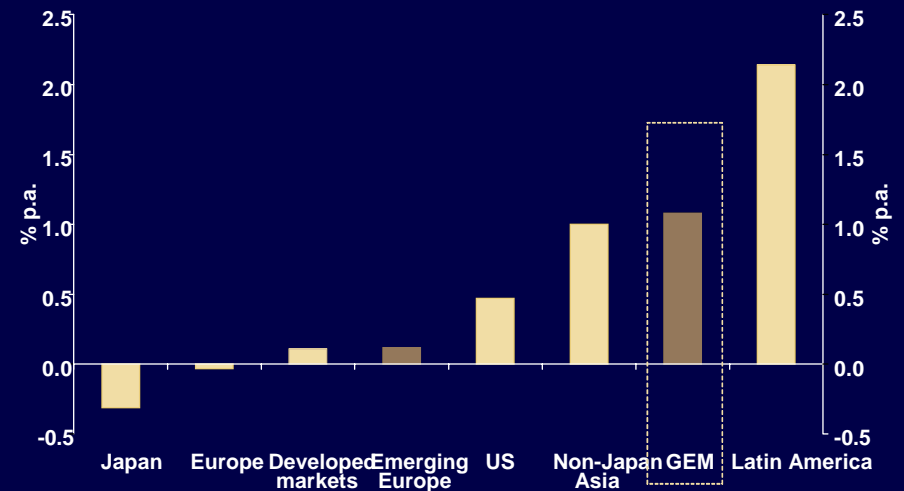
## Consumption Growing

- EM household consumption is rising as a percentage of global consumption
- Labor force growth is the most powerful driver both of the demand for goods and services and of asset prices

**Household Consumption**  
(US\$ in Billions)



**Labor Force Growth Favors GEM**  
(US\$ in Billions)



(1) MSCI Emerging Markets Index Constituents  
Source: Euromonitor, TCW Research

Source: United Nations, Credit Suisse Research

# Emerging Markets – Macro Outlook

Inflation is Converging to G7 Levels



Source: IMF World Economic Outlook, October 2009

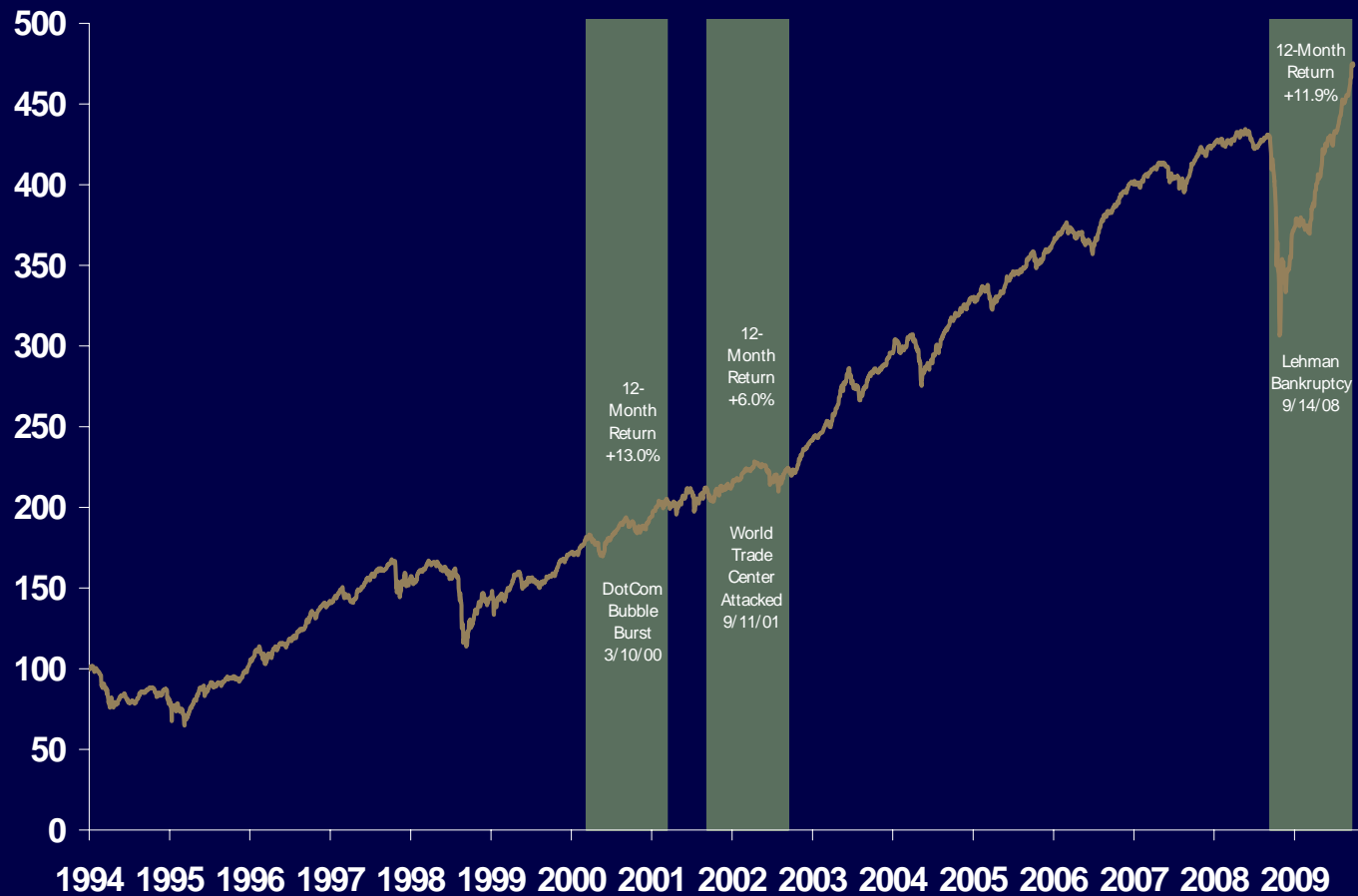
# Emerging Markets – Asset Class Overview

## Emerging Markets Crises & Opportunities



# Emerging Markets – Asset Class Overview

## Durable through Systemic Shocks

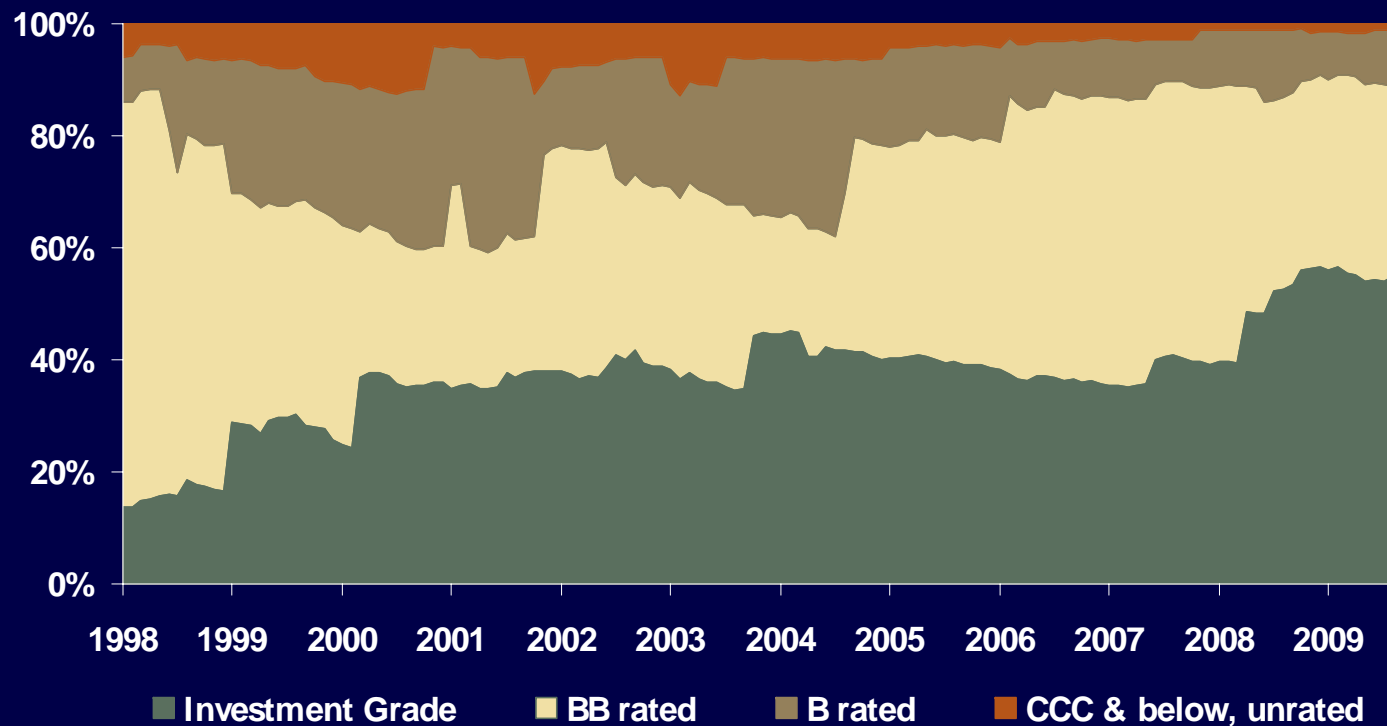


Source: JPMorgan EMBI Global Diversified Index, TCW Research

# Emerging Markets – Asset Class Overview

## Secular Improving Credit Story

- Emerging Markets credits are undergoing a transformation process and are at various stages of mid- to late-cycle convergence toward developed market standards
- Improving credit quality – weighted average rating of index has improved two notches from BB- in December 1997 to BB+ as of September 2009



Source: JPMorgan

## Emerging Markets – Outperforming Over Time

- EM Debt: Average annual returns of 12.1% since 1991
- Emerging Market Debt offers the highest annualized returns versus other debt and equity strategies over the last 10 and 17 year time periods

### Historical Cumulative Annualized Returns\*

Number of Years Looking Back	Index	Last 10 Years	Since IGOV Inception
<b>Debt Total Return</b>			
<b>EM Debt (IGOV)</b>	<b>IGOV</b>	<b>12.5%</b>	<b>12.1%</b>
US Treasury	GOQ0	6.2%	6.3%
US Corporate Master	COA0	5.8%	6.8%
US High Yield Master	JOA0	3.4%	7.9%
<b>Equity with Dividends Reinvested</b>			
S&P 500	SPTR	-0.2%	7.4%
<b>MSCI EM Equity Index</b>	<b>GDUEEGF</b>	<b>11.7%</b>	<b>9.1%</b>

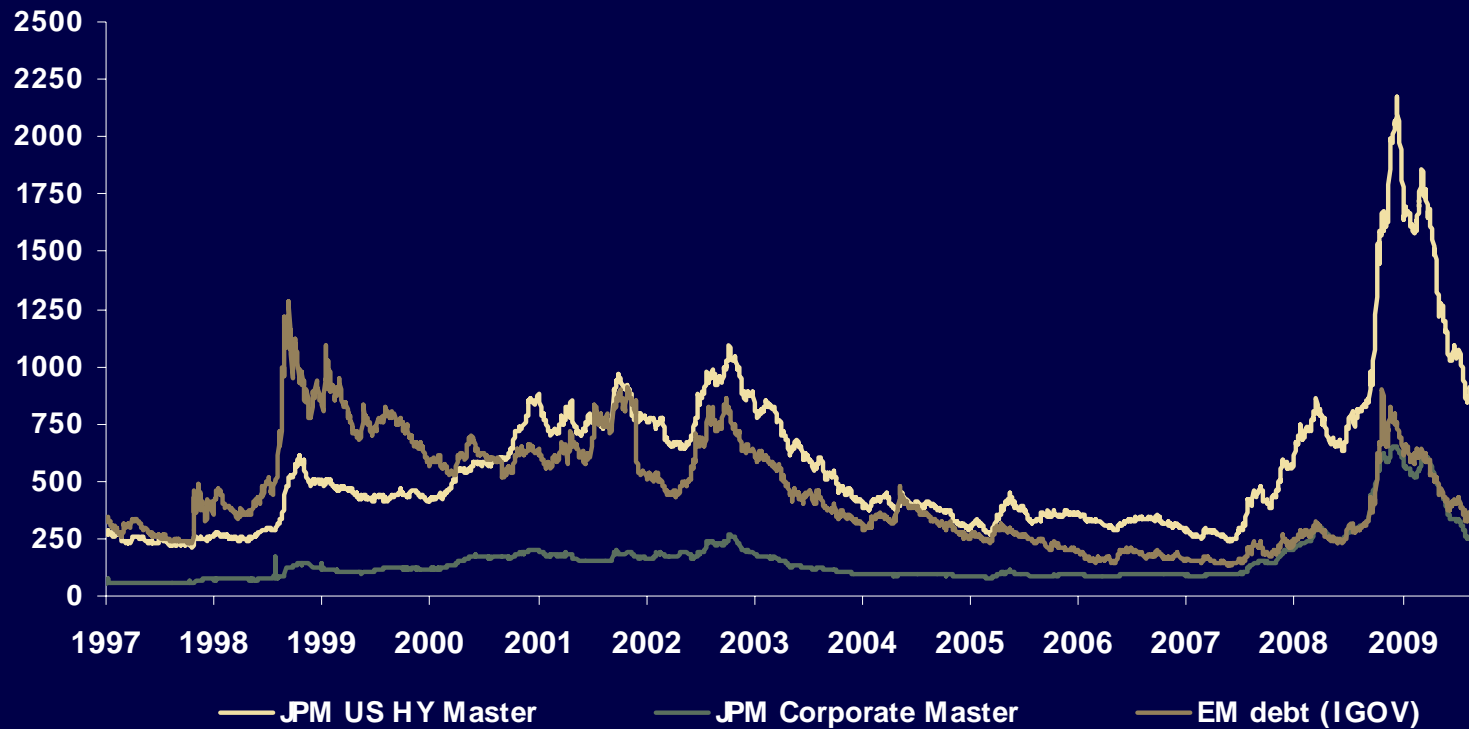
Source: Bloomberg,

\*Returns from 12/31/1991 to 9/30/2009 for the 17-year period  
9/30/1999 to 9/30/2009 for the 10-year period

# Emerging Markets – Outperforming Over Time

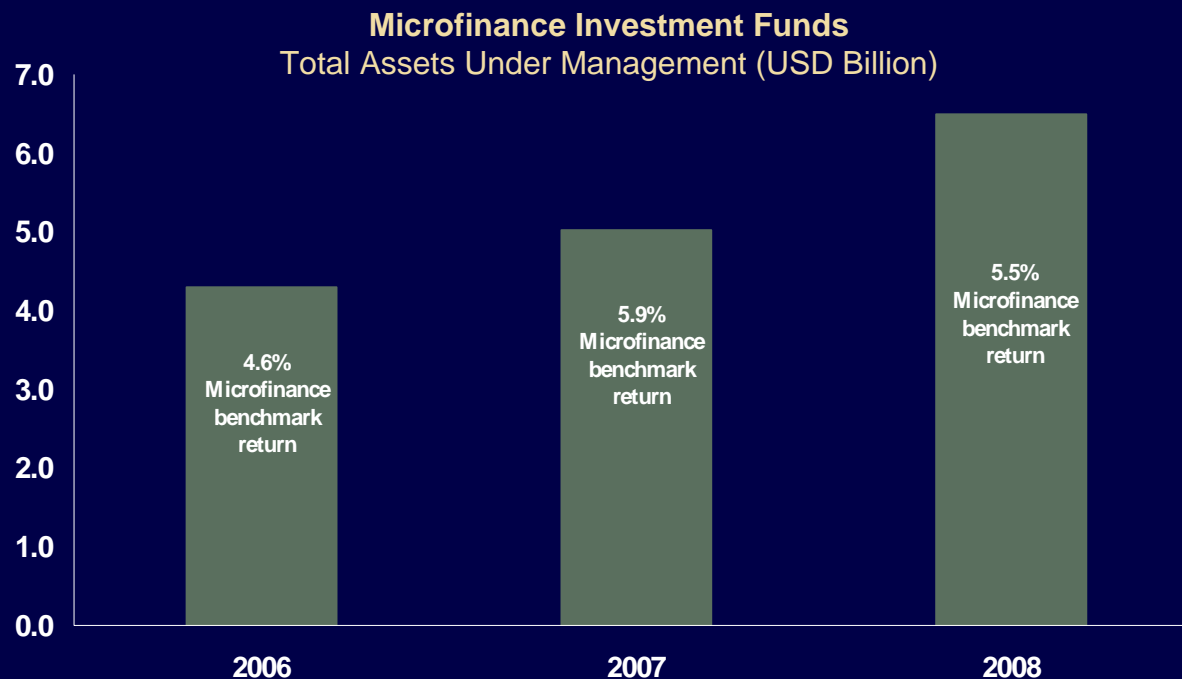
## Historical Spread Comparisons

(December 1996 to September 2009)



# Emerging Markets – New Ideas

Microfinance Continued to Attract Investments in 2008 and to Post Solid Returns



## SCALE OF GLOBAL MICROFINANCE INSTITUTIONS

	Offices (‘000)	Employees (‘000)	Borrowers (‘000)	Deposit Accounts (‘000)	Loan Portfolio (USD ‘000 000)	Deposits (USD ‘000 000)
Africa	4	35	5,183	8,036	2,419	1,948
Asia	23	200	43,294	11,769	6,744	1,163
ECA	3	39	2,387	3,891	7,776	3,296
LAC	9	77	11,374	9,816	13,820	8,637
MENA	2	16	2,244	9	1,040	55
Globe	42	366	64,482	33,520	31,798	15,098

Source: CGAP and Symbiotics