

Benefitting from A Global Paradigm Shift Investing in Emerging Markets

March 2011

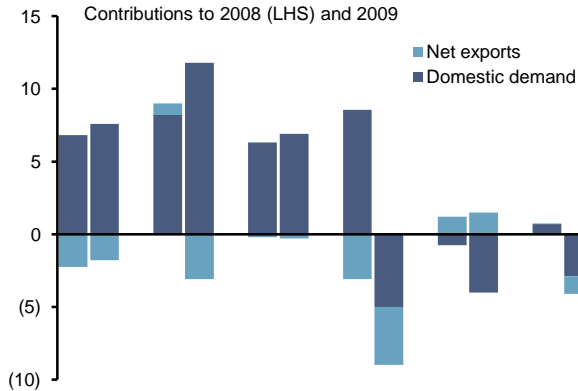


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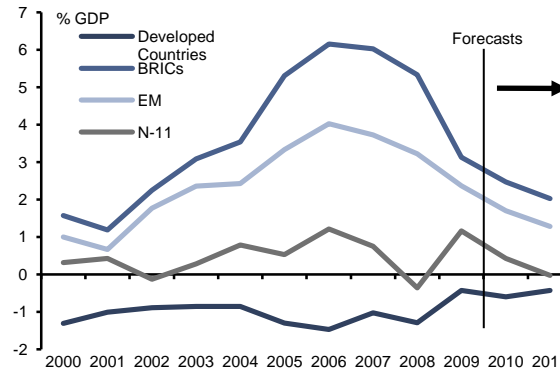
The BRIC Story

Domestic Demand is the Largest Driver of Growth



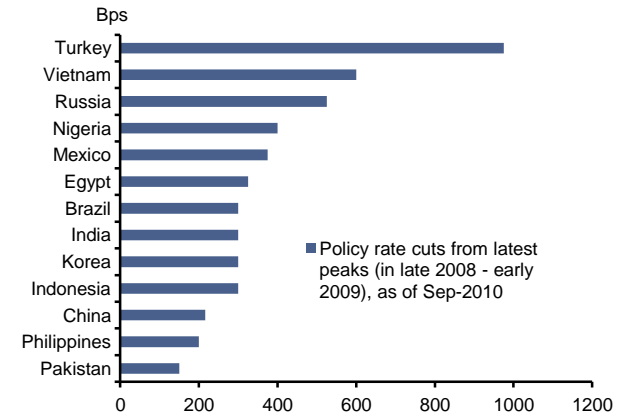
Source: National Sources

Falling Current Account Surpluses



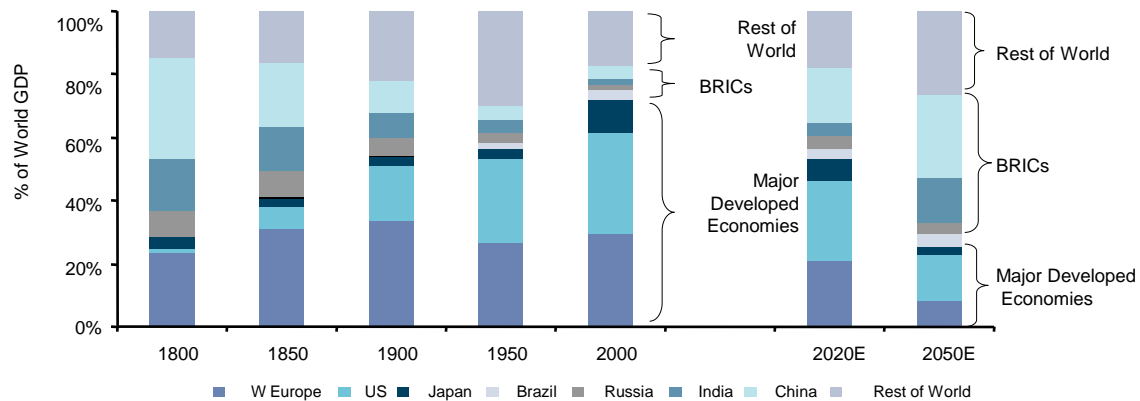
Source: IMF

Unprecedented Policy Rate Easing



Source: Haver Analytics

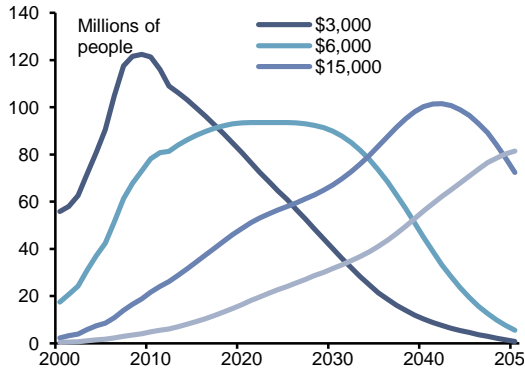
Share of Global GDP by Region



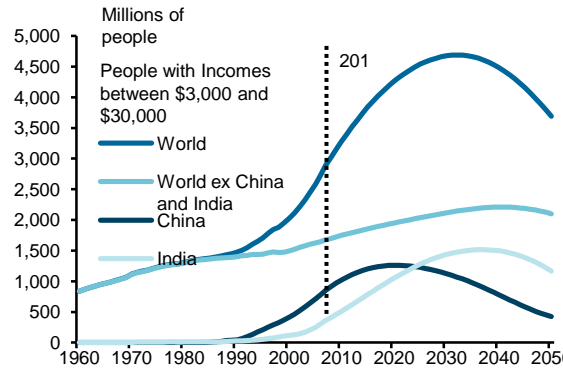
Source: OECD

Is this the BRIC Decade

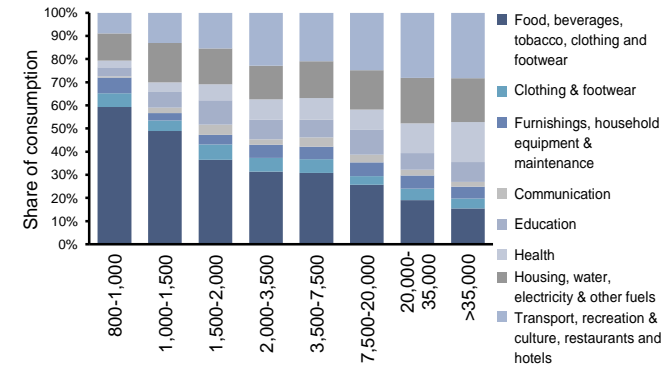
Number of People Crossing Different Income Thresholds in BRICs Annually



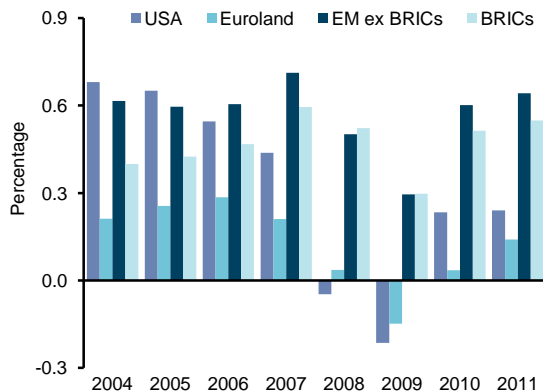
The Expanding World Middle Class



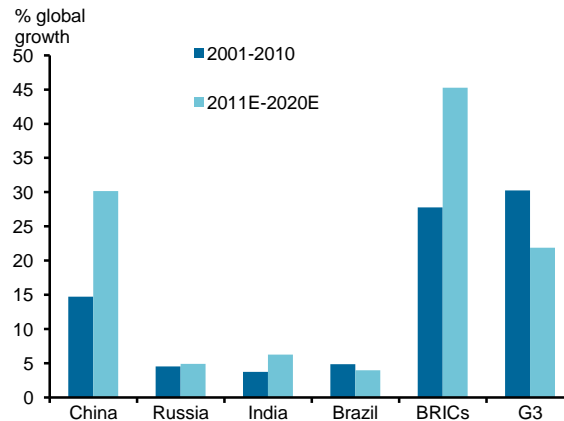
Changing Consumption



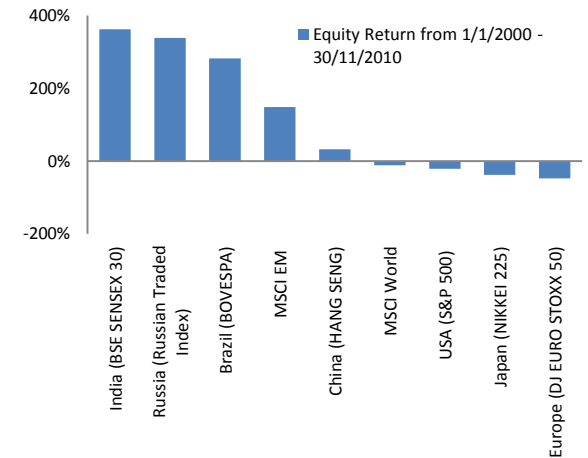
Contribution to Global Real GDP Growth



BRICs Will Contribute Twice As Much To Global Growth As The G3 In The Next Decade



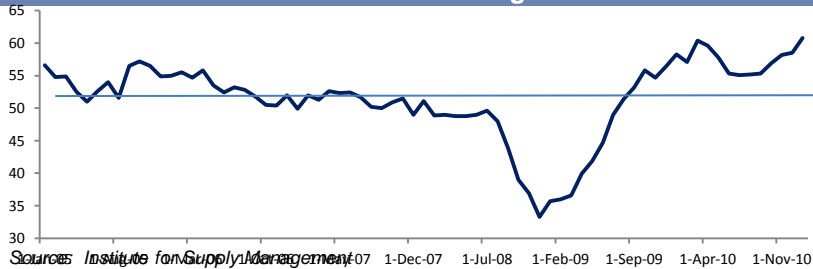
Last Decade Equity Returns in the BRIC Outperformed Equity Returns in the G3



Why Invest in BRIC – A New Paradigm

USA

US ISM Manufacturing Index

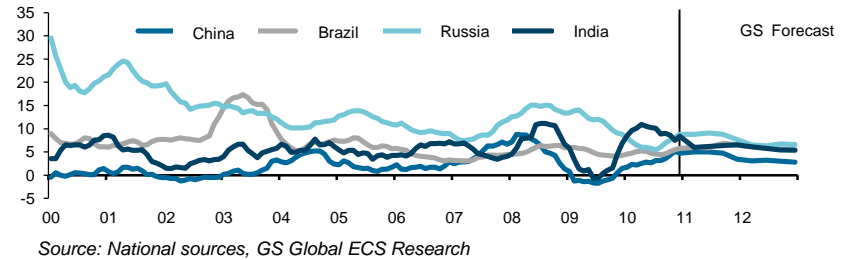


US Weekly Jobless Claims

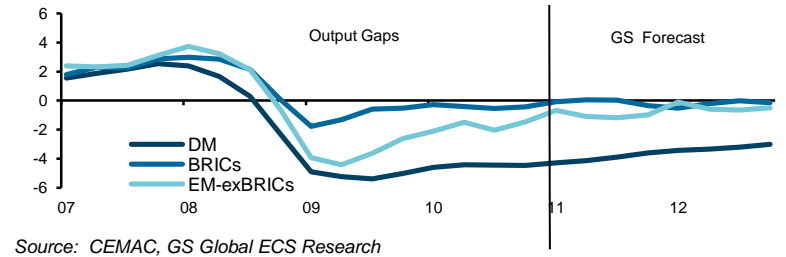


BRIC

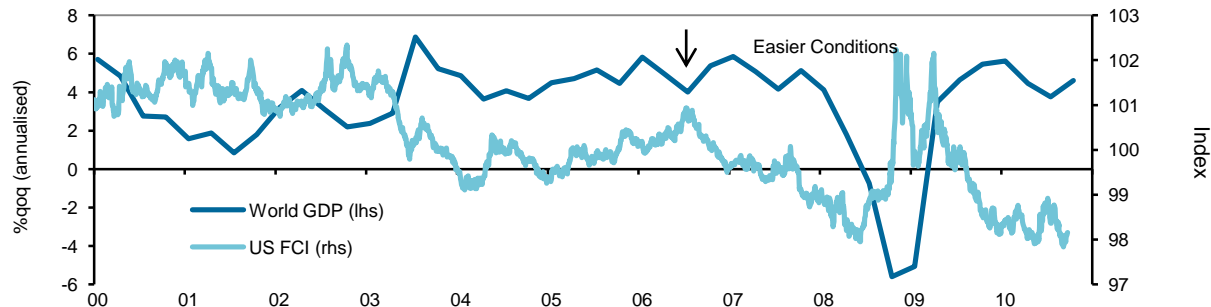
BRICs Inflation Remains Elevated



Much Less Spare Capacity in the BRICs than in the Rest of the World



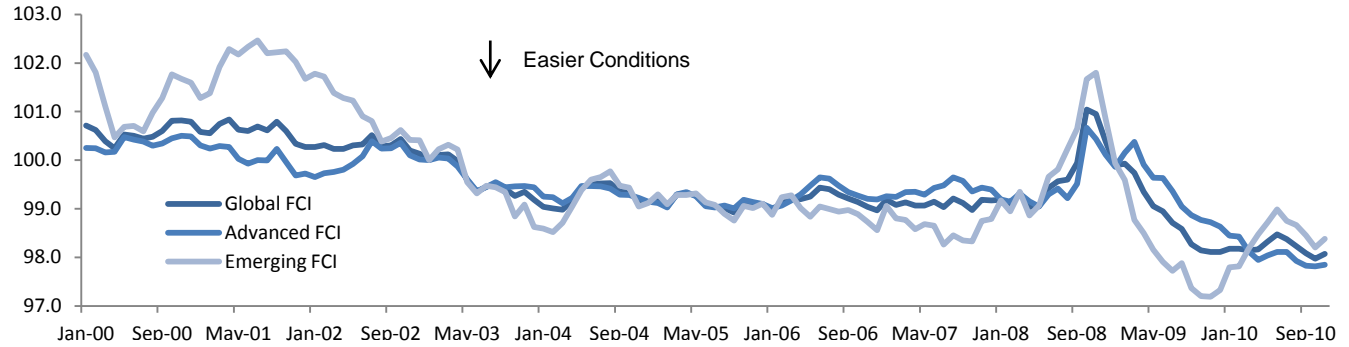
World GDP versus US FCI



Why Invest in BRIC – A New Paradigm Outlook

Short Term

Financial Conditions Indicator (FCI)* for the BRICs



Medium Term

GS GDP Forecast

		USA	Japan	Europe	Brazil	Russia	India	China	BRICs	World
2010	GS	2.8	4.4	1.7	7.7	3.7	8.5	10.3	8.8	5.1
	Consensus*	3.4	1.6	2	5.2	5.3	8.7	10	8.6	4.8
2011	GS	3.2	1.2	1.5	4.5	4.3	8.7	9.2	7.9	4.4
	Consensus*	3.8	2.1	1.9	4.3	5.6	8.3	9.5	8.2	5.0
2012	GS	3.3	2.0	1.6	4.8	4.3	8.3	8.9	7.8	4.6
	Consensus*									

Long Term

GS Growth Environment Score (GES) for BRICs and N-11

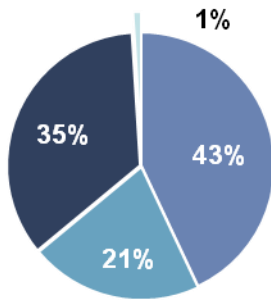
	2009 GES	2006 GES	1995 GES	Inflation	Gov't Deficit	Ext Debt	Investment	Openness	Schooling	Life Expectancy	Political Stability	Rule of Law	Corruption	PCs	Tele-phones	Inter-net
N-11 Ave	4.68	4.7	NA	7.03	4.87	7.78	4.93	3.92	5.77	6.86	3.03	4.1	3.9	1.4	4.9	2.57
Brazil	5.34	4.2	3.1	8.58	4.01	8.52	3.8	2.2	7.44	7.5	4.76	4.39	4.93	2.2	6.36	4.73
China	5.24	4.9	4.3	8.53	4.8	9.08	7.98	4.03	6.23	7.6	4.37	4.33	4.12	0.8	4.15	2.15
India	4.04	3.9	3.4	7.93	0	8.44	6.91	3.1	4.16	5.95	3.01	5.24	4.25	0.4	2.08	0.96
Russia	5.06	4.4	3.3	6.48	7.1	7.61	4.43	2.22	6.87	6.52	3.75	3.17	3.04	1.8	10	2.81
BRICs Ave	4.92	4.3	3.5	7.88	3.98	8.41	5.78	2.89	6.18	6.89	3.97	4.29	4.09	1.3	5.65	2.66

*Consensus as of Jan, 2011

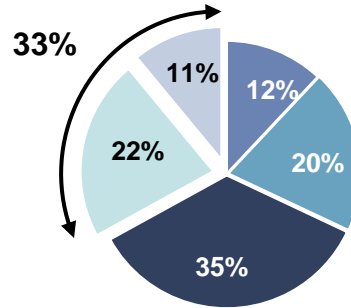
Why Invest in BRIC – A New Paradigm Equities

Market capitalization* of Emerging Markets rising strongly

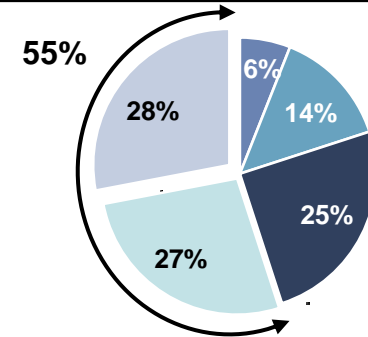
1989



2009

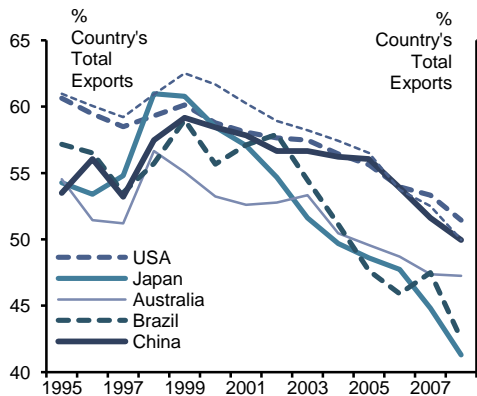


2030



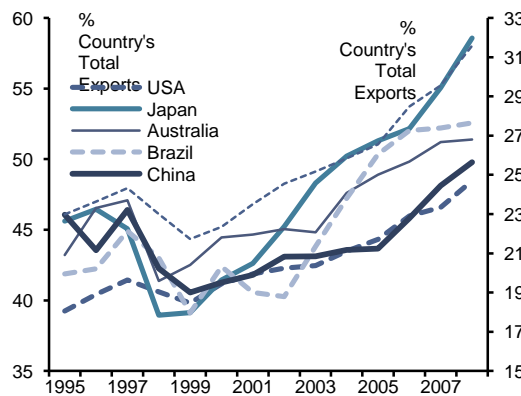
■ Developed Asia ■ Developed Europe ■ North America ■ Emerging Markets (ex China) ■ China

The Share of Exports to DM Countries is Decreasing...



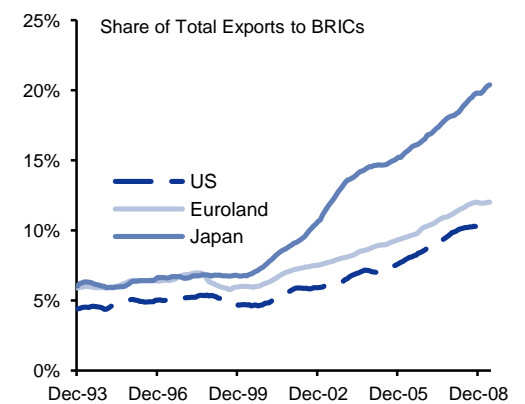
Source: IMF

...while the Share of Exports to EM Countries is Increasing



Source: IMF

The rise in exports to BRICs



Source: IMF "Direction of Trade" Datenbank

*The pie chart illustrates the breakdown of global market cap based on total listed country market caps to the extent that data is available.

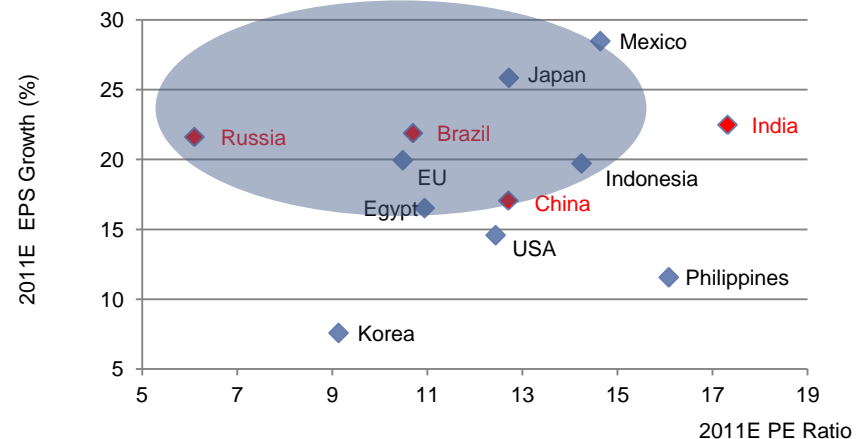
Why Invest in BRIC – A New Paradigm

Fundamental Analysis

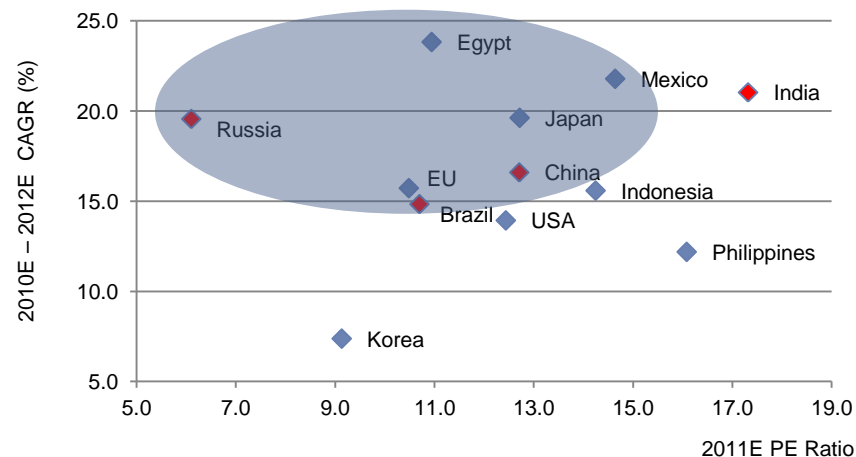
Valuations Matrix

	Year	Brazil	Russia	India	China	MSCI EM	MSCI World	S&P500	EUROSTOXX 50
PE	2010E	13	7.5	21.2	14.9	13.8	14.2	14.1	10.7
	2011E	10.7	6.1	17.3	12.7	11.7	11.9	13.3	9.6
	2012E	9.9	5.2	14.5	10.9	10.5	10.6	-	-
EPS Growth (%)	2010E	13.2	45.3	23.3	28.7	41.9	38.5	45.3	20.6
	2011E	21.9	21.6	22.5	17.1	18.1	18.7	15.5	11.9
	2012E	8.2	15.3	19.4	16.9	10.9	12.4	-	-
PB	2010E	1.9	1.1	3.4	2.4	2.0	1.7	2.2	1.4
	2011E	1.7	0.9	2.8	2.1	1.8	1.6	-	-
	2012E	1.5	0.8	2.5	1.8	1.6	1.4	-	-
EV/EBITDA	2010E	7.5	4.7	12.2	8.3	7.3	8.2	7.9	-
	2011E	6.6	4.2	10.3	7.1	6.3	6.6	-	5.9
	2012E	6.0	3.5	8.7	6.1	5.6	6.0	-	-
DY (%)	2010E	2.7	1.5	1.0	2.3	2.3	2.5	2.0	4.8
	2011E	3.1	2.3	1.1	2.7	2.8	2.8	-	-
	2012E	3.5	2.6	1.3	3.2	3.1	3.1	-	-
ROE (%)	2010E	14.4	15.7	17.7	17.1	14.7	12.9	15.8	13.1
	2011E	16.9	16.5	18.2	17.3	16.5	13.8	-	-
	2012E	16.3	16.2	18.3	17.6	16.5	14.3	-	-

2011E



2010-2012E CAGR (%)



How to invest in Emerging Markets

Next-11: What comes after the BRICs

The N-11 (Next 11 Emerging Economies)

- N-11 have **substantial growth opportunities**
 - Equity markets in **early phase of development**
 - **Increasing investor focus**
 - **Demand for capital** to finance growth
 - Not the scale of BRICs, but might **rival G7** in growth terms
 - Until **2050, nine N-11 countries** might economically be in the **top 20** economic countries
- ➔
- **The next growth story after the BRICs: The Next-11**
 - From the N-11 not all markets are liquid and accessible
 - We created two baskets – **Core 5 and Core 8**
 - **Defining the BRIC+: Combining BRICs with Core 5 and Core 8**

The N-11

Core 5	Core 8	Other countries
<ul style="list-style-type: none"> ▪ South Korea ▪ Mexico ▪ Turkey ▪ Indonesia ▪ Philippines 	<ul style="list-style-type: none"> ▪ South Korea ▪ Mexico ▪ Turkey ▪ Indonesia ▪ Philippines 	<ul style="list-style-type: none"> ▪ Pakistan ▪ Egypt ▪ Vietnam ▪ Nigeria ▪ Bangladesh ▪ Iran

N-11- Core 5 & 8 markets

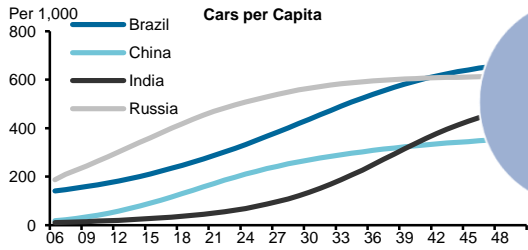
	N-11	Equities	Core 5	Core 8
Core 5	Korea	Liquid	29%	30%
	Mexico	Liquid	31%	31%
	Turkey	Good market size and good liquidity	16%	14%
	Indonesia	Relatively liquid/easy access except for strategically important sectors	19%	16%
	Philippines	Relatively limited liquidity	5%	5%
Core 8	Egypt	Fast developing market but still low liquidity		3%
	Vietnam	Limited liquidity/access		1%
	Pakistan	Limited liquidity		<1%
	Iran	Limited liquidity. Foreign access restricted		
	Nigeria	Limited market size and liquidity		
	Bangladesh	Illiquid		

■ Not invested ■ & ■ Invested

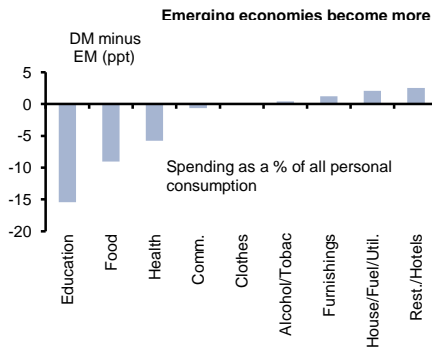
N-11 Core 5*

Number of stocks	10 per country
Weighting	Top market cap.
Max weight	30% per country (10% per company)
Rebalancing	Annually

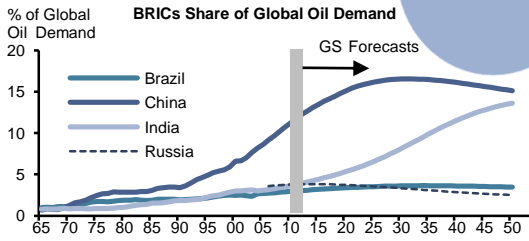
How to Invest in Emerging Markets



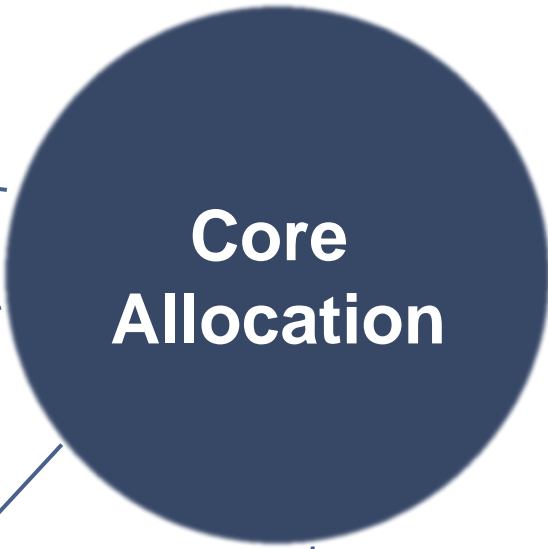
Source: World Bank



BRICs Nifty 50 Developed Markets Portfolio



Source: BP; GS BRICs Model Projection



BRIC Nifty 50 Emerging Markets Portfolio

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