



Global investing: A paradigm shift in market leadership?

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Now what?



Discussion points

- Where are we today?
- The relevance of emerging markets
- The implications for equity investors

Where are we today in developed markets?

- Expectation of modest growth for the medium term in developed world
- Households rebuilding balance sheets, constraining consumer demand
- Excess capacity in the form of unemployment and low factory utilisation

...The x-factor: unprecedented levels of government stimulus

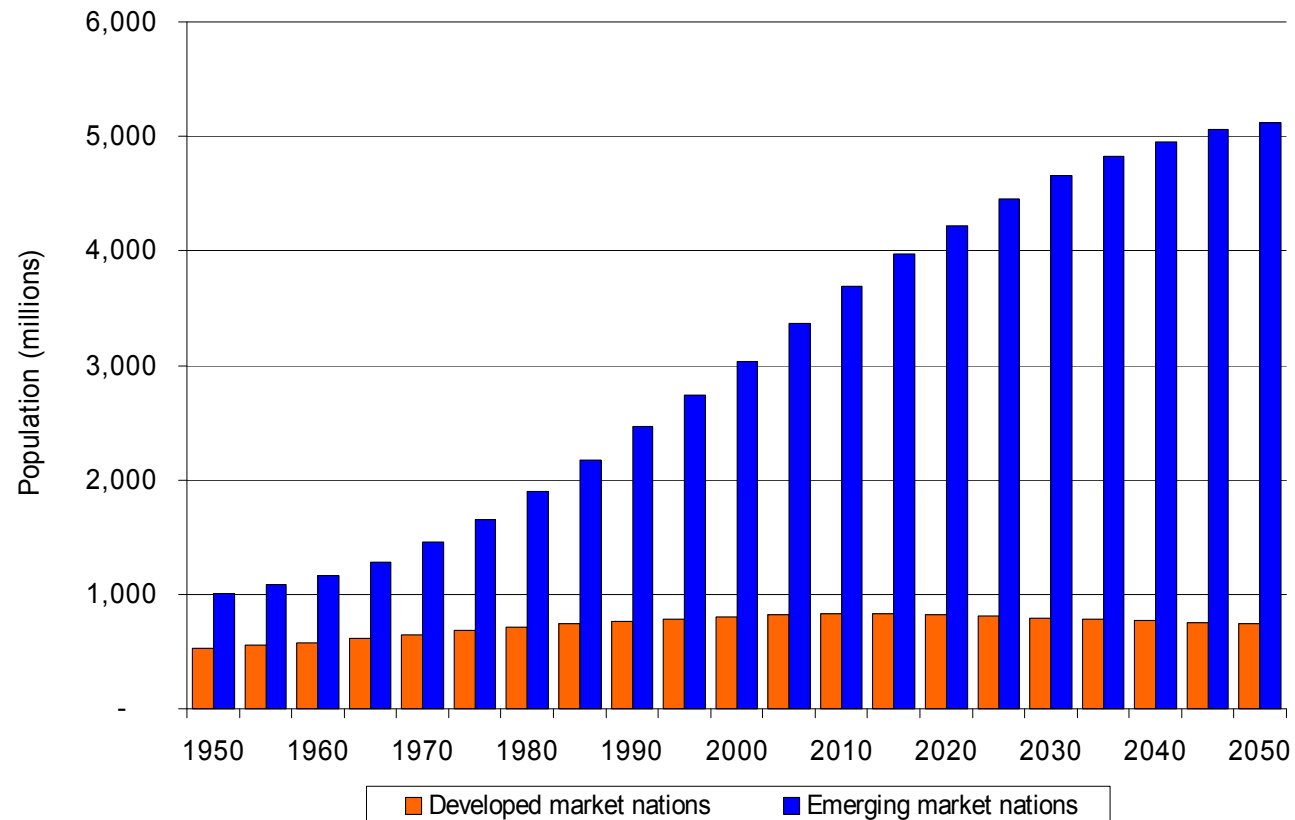
The relevance of emerging markets

- India + China = 37% of world population
- Combined rates of growth have averaged between 5 and 10% (and will likely continue at this pace)
- GDP per capita climbing up S curve, meaning increased consumption
- Change likely to be long-lasting

...The x-factor: unprecedented levels of government stimulus

The relevance of emerging markets

Working-age populations (15 to 64 years old) from 1950 to 2050 (estimated)

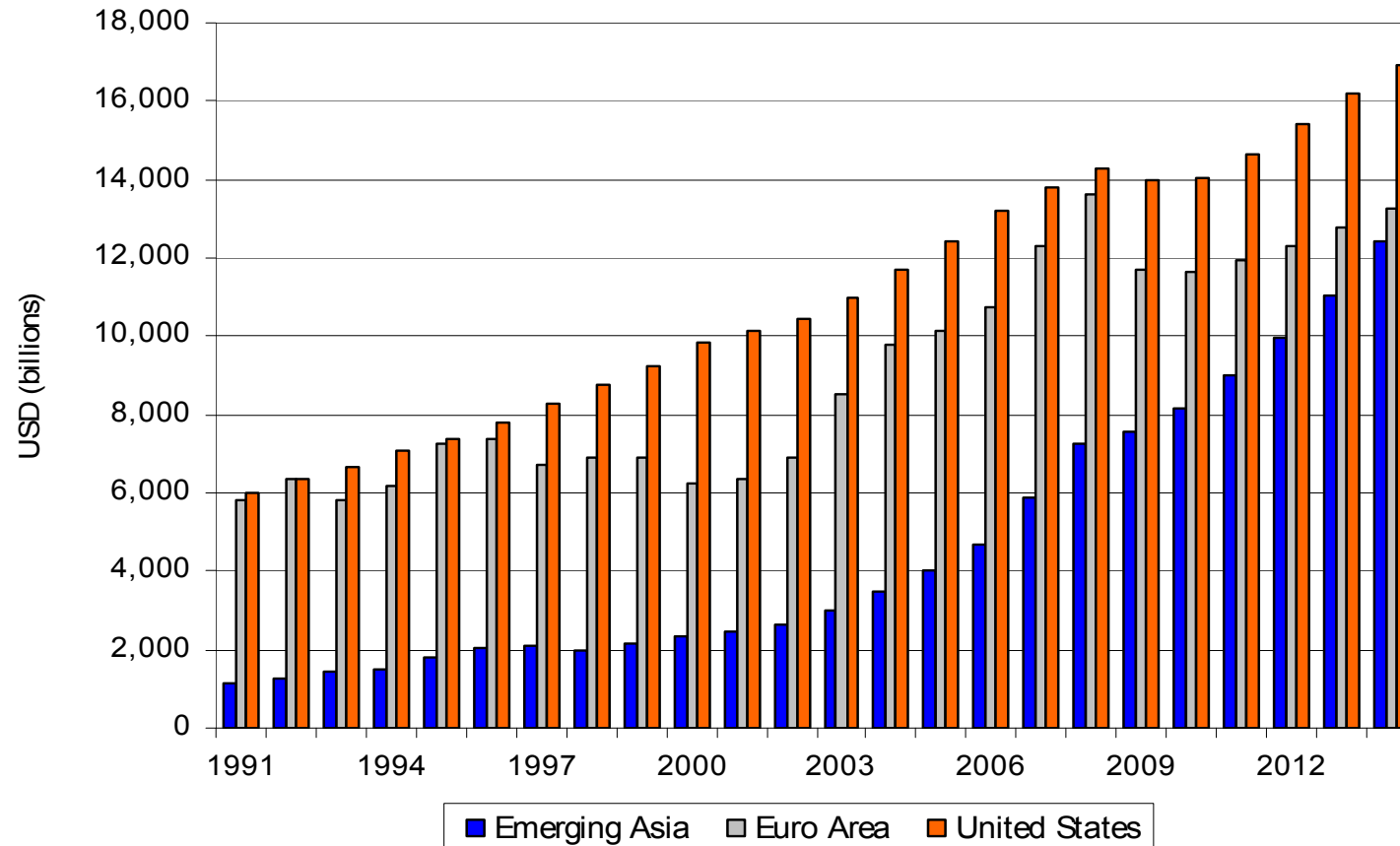


Assumes medium variant growth rates.

Source: The 2008 Revision Population Database, United Nations Department of Economic and Social Affairs

The relevance of emerging markets

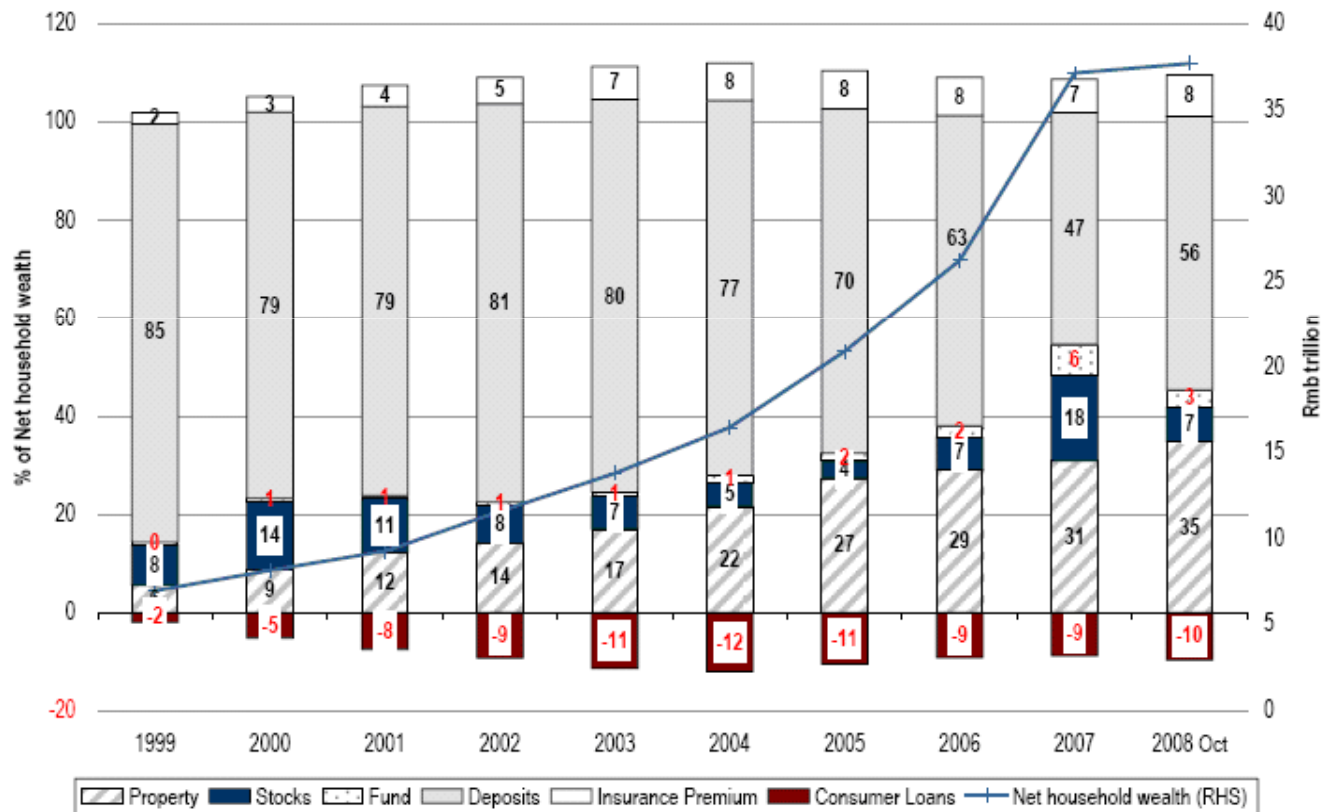
Nominal GDP in Emerging Asia versus Euro Area versus the United States



Source: World Economic Outlook Databases (WEO), International Monetary Fund

The relevance of emerging markets

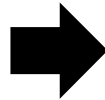
China's household balance sheets



Source: CEIC, WIND Database, Credit Suisse.

The relevance of emerging markets

Now



Future?



The implications for investors

Questions for investors:

- What is the investor's tolerance for volatility?
- What is the investor's objective?
- What is the investor's time frame?
- What are the investor's liquidity needs?
- How diverse a mix of investment assets is desirable?
- How good is the quality of advice that enables the correct moves between the areas of risk and opportunity as conditions evolve?

How to capture the opportunity?

- A regional fund
- An Asian-focused emerging market fund
- A broader emerging markets fund
- An all-country world equity (ACWE) fund
- A global developed fund

Reasons for a broader equity strategy

- Long-term compound annual growth rate in emerging market equities may well outstrip that in developed markets
- However, bull and bear market cycles in emerging markets are likely to be more pronounced than they are in developed markets
- There are many developed market investment opportunities which give great exposure, direct and indirect, to emerging market opportunities

Companies with EM exposure

- HSBC Holdings plc
- Mitsubishi Corporation
- BorgWarner Inc.
- Imperial Tobacco Group plc
- Potash Corporation of Saskatchewan Inc.
- Wal-Mart Stores, Inc.
- The Walt Disney Company
- Monsanto Company
- Royal Dutch Shell plc
- Pernod Ricard SA
- Cameco Corporation
- L'Oreal SA

A closer look at companies with EM exposure

HSBC Holdings, plc

- Aggressive expansion in Asia both commercially and operationally
- Launched own mainland Chinese subsidiary in 2007
- Opened offices in 2008 in Guangzhou, Shanghai and Beijing as part of launch of private banking operations in mainland China
- Has approximately 37,000 employees in India and another 15,000 in mainland China

Potash Corporation of Saskatchewan Inc.

- Approximately 42% of the world's fertilizer consumption in 2008 occurs in China and India alone
- The company estimates that fertilizer consumption will increase from approximately 50 million tonnes to nearly 80 million tonnes in China, and from about 25 million tonnes to nearly 50 million tonnes in India

Source: Company annual reports.

A closer look at companies with EM exposure

BorgWarner Inc.

- Over 20 years of JV experience in Asian emerging markets
- Sales (2008) at JV firms in India and China alone exceeded USD 220
- In late 2008, BW signed JV agreement with leading Chinese automakers

Wal-Mart Stores, Inc.

- 243 stores in China, including 132 Supercenters, as at Jan 2009
- More than 70,000 employees in China
- Established wholesale cash-and-carry arrangement in India

The Walt Disney Company

- In 2008, created first animated films targeted to local Chinese and Indian populations
- Launched baby personal care product with Indian partner that will be sold in more than 400,000 retail outlets in India
- Opened its first English-language learning centre in Shanghai in 2008

Source: Company annual reports.

What does this mean for investors?

The benefits of global strategy:

- Prudent diversification
- Dynamic, active allocation to appropriate sectors and regions
- Appropriate participation in strongly growing regions

What does this mean for investors?

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