EMERGING MARKETS:

AN EVOLVING LANDSCAPE

MARTIN CURRIE
A Franklin Templeton Company

AUGUST 2024
For institutional investors in the US only

MAPPING THE EMERGING MARKETS JOURNEY

INVESTING TO IMPROVE LIVES™

www.martincurrie.com

From hope to hesitation

Over the past decade, emerging markets (EM) have experienced mixed fortunes, as strong early performance was followed by more recent lacklustre returns[1]. The strong US market and dollar as well as the weak Chinese economy impacted returns. The next decade may see EM stock markets return to their former glory.

In this paper, we will put into context the recent difficult period and explore the key reasons why we believe one should continue allocating to EM equities.

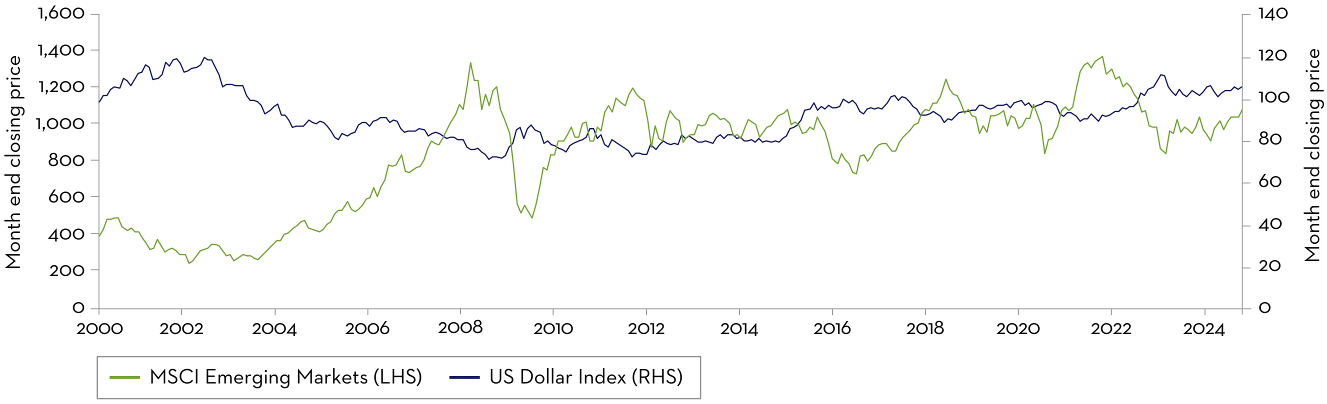
Recent challenges

FROM THE US

There are two key areas which have challenged EM performance from 2010 – 2023:

1. It has been a one-way bet in the US. The US dollar strength has led to the strong outperformance of US stocks over EM across the last 13 years. Over the medium and long-term, US stocks have had significantly higher correlation with the US dollar than EM stocks do.[2]
2. Although in the past there have been times when EM has overcome dollar strength, since the beginning of 2021, the strong dollar has been a significant headwind for EM performance.

Inverse correlation between EM performance and the US dollar over 23 years



Source Bloomberg and FactSet. Data shown from 1 January 2000 to 30 June 2024.

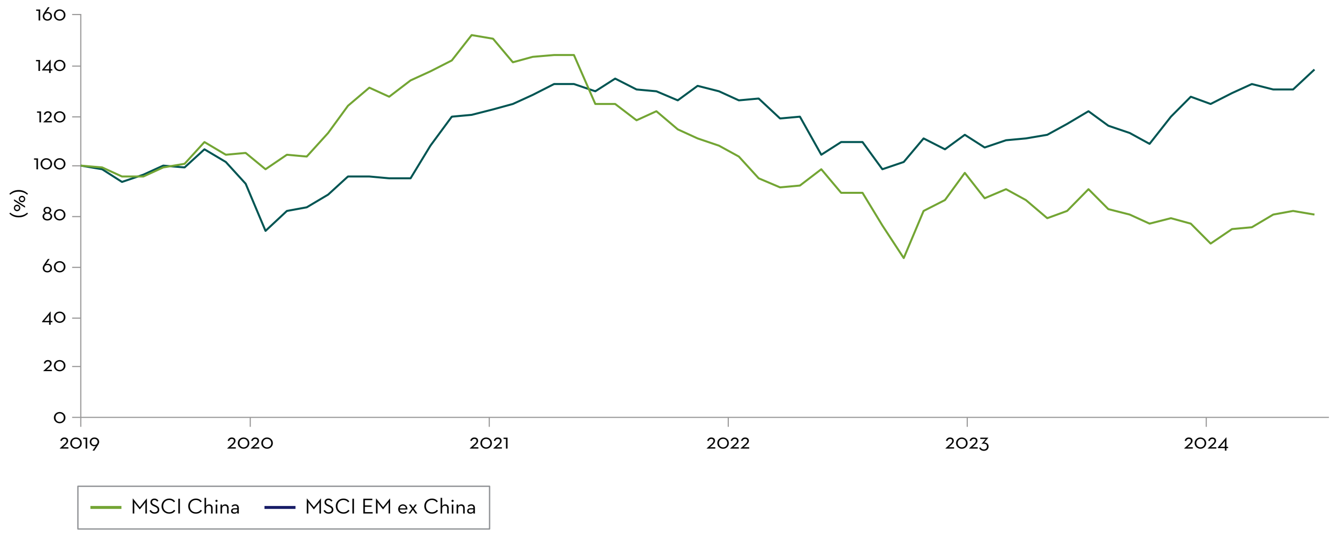
As we are approaching the end of the interest rate cycle in 2024 and with indications of rate cuts in the near future, there are some important implications for EM.

[1]Source: Morningstar: MSCI EM NR USD, MSCI EAFE NR USD, MSCI USA NR USD: 31 December 2000 – 31 December 2023.
[2]Source: FactSet as at April 2024.

FROM CHINA

The second significant challenge for EM investors has been the recent material underperformance of China, which represents a quarter of the asset class and is a significant driver of its returns.[3]

China's underperformance has impacted EM returns over last five years



Source: MSCI, returns show in US dollars for 30 June 2019 to 30 June 2024.

The recent underperformance of China has dragged down asset class returns.

There are three key worries about China:

- **Economic slowdown –** driven by weakness in the real estate market
- **Geopolitical tensions –** particularly the relationship with the US
- **Policy –** the direction of domestic policy with regards to the private sector, Covid, and economic stimulus

Hesitation on these three factors has meant that China has seen a material valuation derating in the past few years. We think China presents a counter consensus valuation opportunity.

[3]China represents 25.1% of the MSCI Emerging Markets Index. Source: MSCI, 30 April 2024.

"The recent underperformance of China has dragged down EM returns"

AN EVOLVING LANDSCAPE

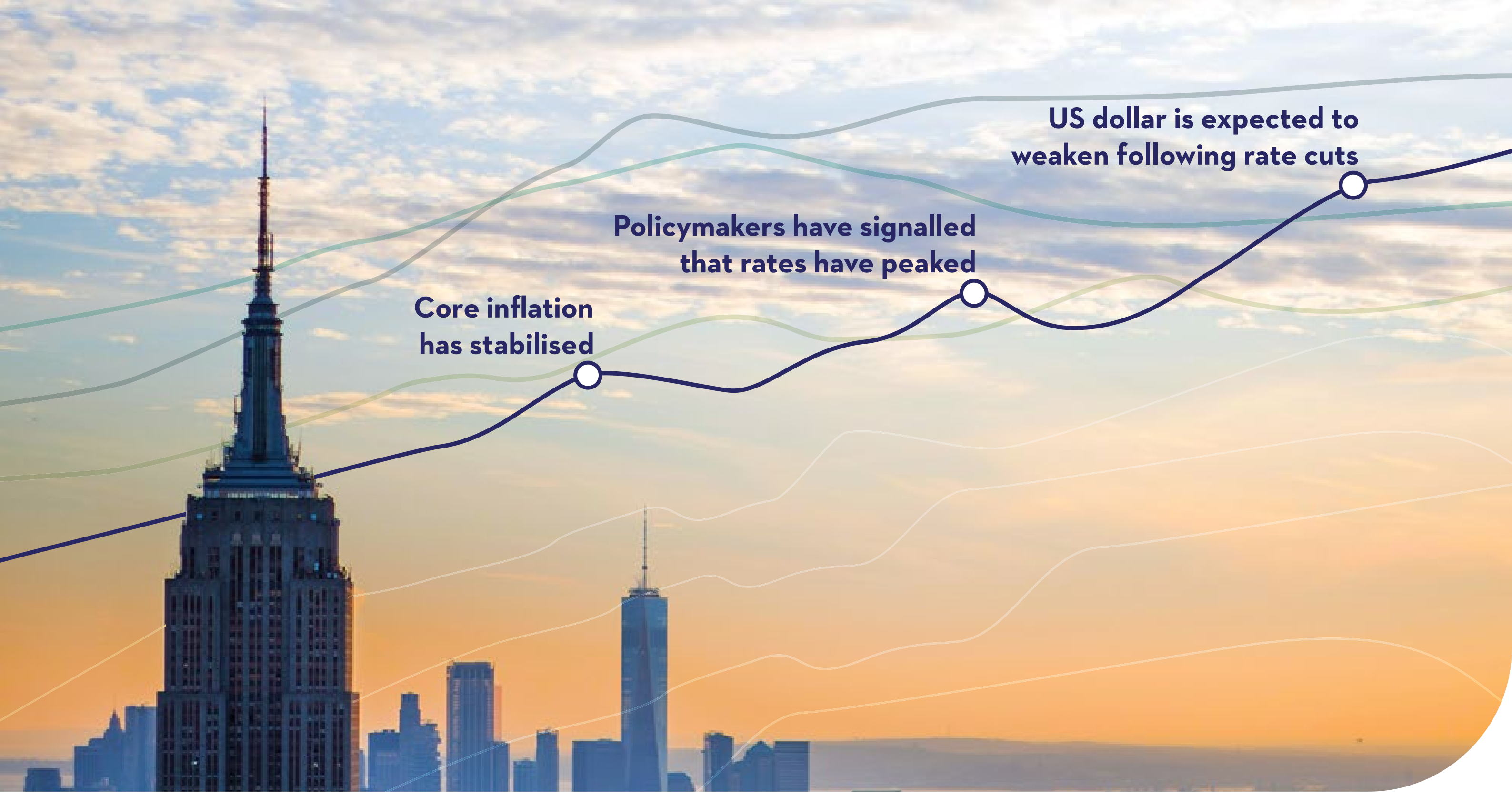
It is important to remember that the EM market is not the same as ten years ago, or even the decade before that. Since the significant outperformance of the early 2000s[4], the shape of the asset class has changed. Information technology is the largest sector allocation in the asset class and commodities no longer dominate[5]. Consumer-focused industries, represented by consumer discretionary stocks also represent a meaningful component of the index as we have seen tremendous growth in per-capita incomes in all of the major EM economies. Finally, we have seen the impact of the digital era as billions of consumers have been able to access new consumption opportunities within e-commerce, gaming, and digital finance.

Despite the headwinds facing EM recently, in our view, the landscape is now positively shifting and this **Emerging Markets: An Evolving Landscape** paper will explore the key drivers with the potential to dictate the future of the asset class.

Past performance is not a guide to future returns. There is no assurance that any projection or forecast will be realised.

[4]Source: Morningstar: MSCI EM NR USD, MSCI EAFE NR USD, MSCI USA NR USD: 31 December 2000 – 31 December 2023.

[5]Source: Factset as at 21 May 2024.



US HEADWINDS ARE EXPECTED TO EASE

The US backdrop is increasingly favourable for EM investors

As can be seen in the chart below the Consumer Price Index (CPI) continues to fall. This signals the stabilisation of inflation levels. The high rates environment which was merited to manage inflation will no longer be needed, so we anticipate yields* to follow the same trend as inflation and decrease.

US headline CPI compared to US 10-year treasury yields

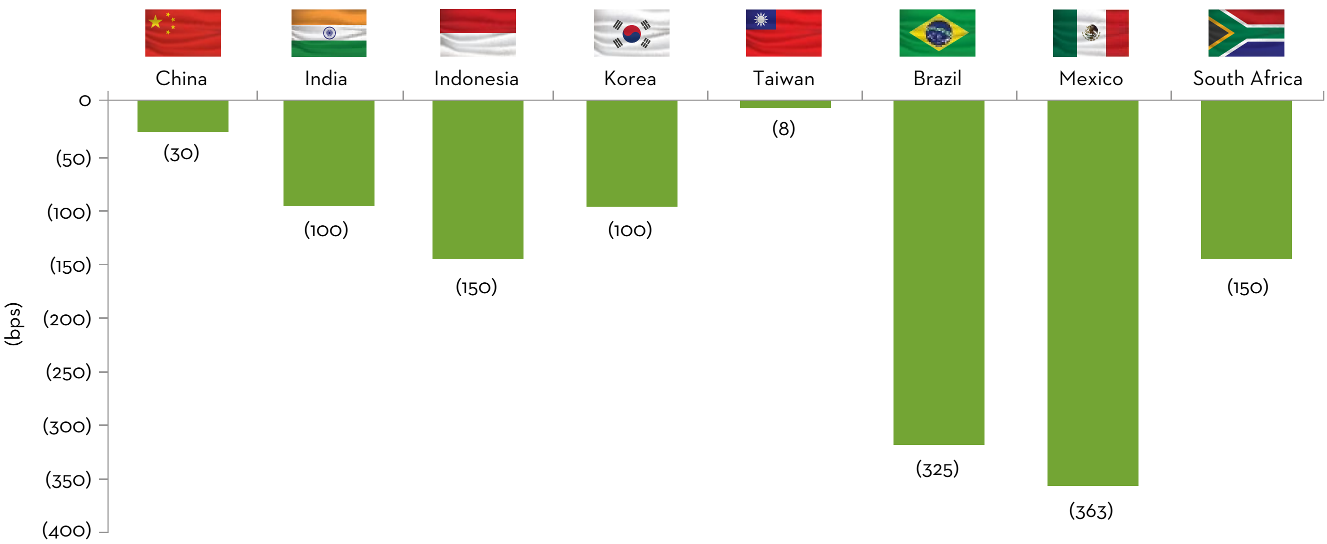
Source: FactSet as at 31 May 2024.

*Yield refers to how much income an investment generates, separate from the principal.

The peaking of US interest rates and the anticipation of rate cuts from the Federal Reserve[6] (and other developed nations) have the potential to turn the tide for investors' style preference and in their developed vs. emerging market allocation. Rate stabilisation and decreases in 2024 could also provide a boost if it leads to a weaker US dollar. Once the US establishes its first rate cut, we expect that other global policymakers will respond, including many in EM.

Broadly speaking, policy rates should become more accommodative in EM. In addition, EM economies have been more disciplined in the post-Covid era with superior monetary and fiscal discipline. From a big picture perspective, most significant emerging economies are expected to have some form of policy rate cut. We highlight those of major economies in the chart below. Of the largest index countries, eight are expected to cut rates over the next two years: China, India, Indonesia, Korea, Taiwan, Brazil, Mexico and South Africa. These countries alone account for around 85% of the index and with the addition of the Middle East this increases to over 90% of the index.[7] A lower rates environment should stimulate domestic spending and boost EM economies, which would be positive for equity markets.

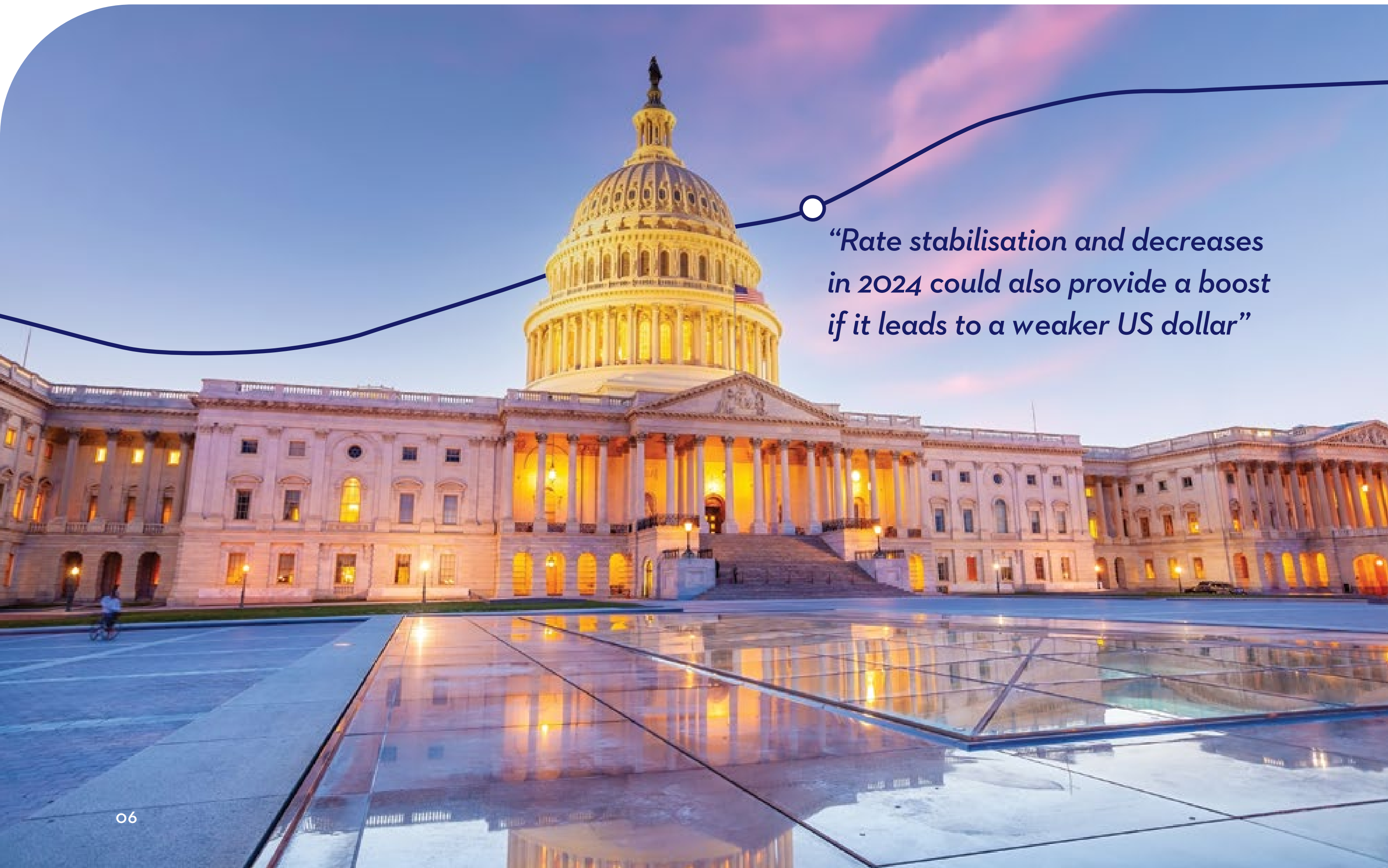
Large EM economies forecasted to cut rates over the next two years



Source: FactSet. Consensus projected rate change over two years (2023-2025), as of January 16, 2024.

[6]Financial Times, https://www.ft.com/content/862f14fd-da31-4e38-8404-e70904a8fd4b

[7]Source: FactSet, May 2024.



"Rate stabilisation and decreases in 2024 could also provide a boost if it leads to a weaker US dollar"

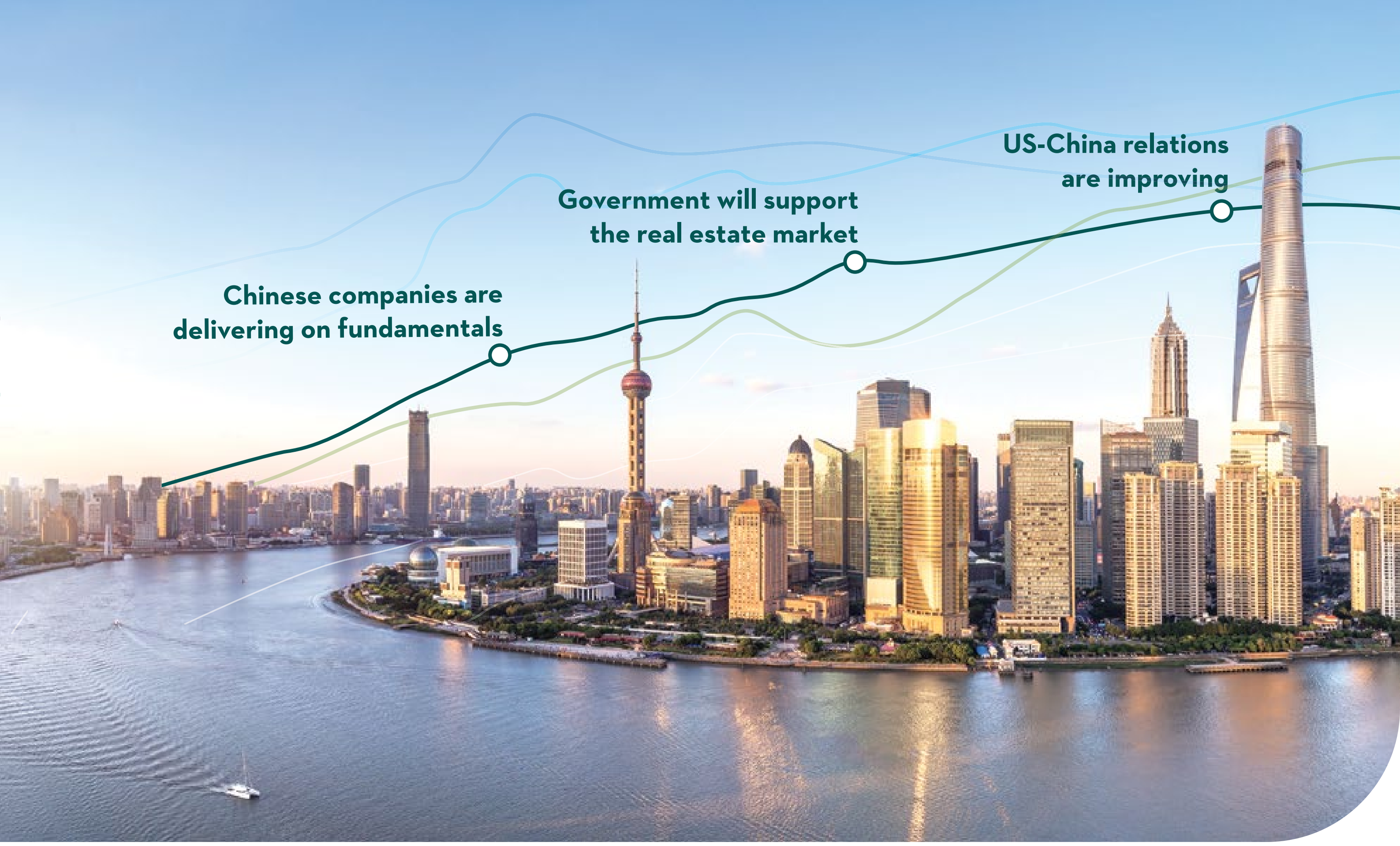
With the Federal Reserve fund target rate expected to fall over the next few years, we believe this will add to US dollar headwinds. Macroeconomic factors such as a surging federal debt levels and increasing fiscal deficits may add to US dollar weakness as well as the potential shift of allocation from US dollar assets to non-US dollar assets. Besides the overweight that allocators have to US equities, there are many other asset classes (such as Private Equity and Private Credit) which are largely dominated by US-domiciled firms and as such are predominantly US dollar-driven.

However, EM equities can also benefit from a strong US dollar environment. For export-dominated EM economies such as China, Korea, and Taiwan, a weak local currency is a net beneficiary to export economies (makes exports more competitively positioned). From a company perspective, there is also positive operational gearing. For example, for semiconductor companies in Korea and Taiwan, they often have local operations with local currencies and sell products to US clients in US dollars. This means that even in a weakening local currency environment, these companies and countries could see positive terms of trade and positive operating levers.

We think that a weakening dollar can support EM performance, given the widely-held belief that they are negatively correlated by market participants. We anticipate that this will remove a further headwind which EM economies have faced in recent years.

As we witness the beginning of an easing cycle, we expect that monetary policy in the US and in EM will be more accommodative of EM equities. The weaker US dollar, rate cuts and stable inflationary environment should also be more supportive of quality growth companies – the types of characteristics that we look for. Those companies with high returns on capital, strong balance sheets, and market leadership will be able to shine again. We believe that the baton will pass from value to quality growth in the next phase of inflation and interest-rate stabilisation.

"We believe that this more favourable US backdrop will be a crucial way for EM to break through to the next phase of its evolving journey"



REASONS FOR OPTIMISM IN CHINA

The changing shape of China

The disconnect between share prices and fundamentals has created a significant investment opportunity.

In 2023, the MSCI China index was down 11%, while MSCI EM ex. China Index was up 20% – a performance gap of over 30%. From the end of 2018 to the end of 2023, this performance gap had increased to over 50%.[8]

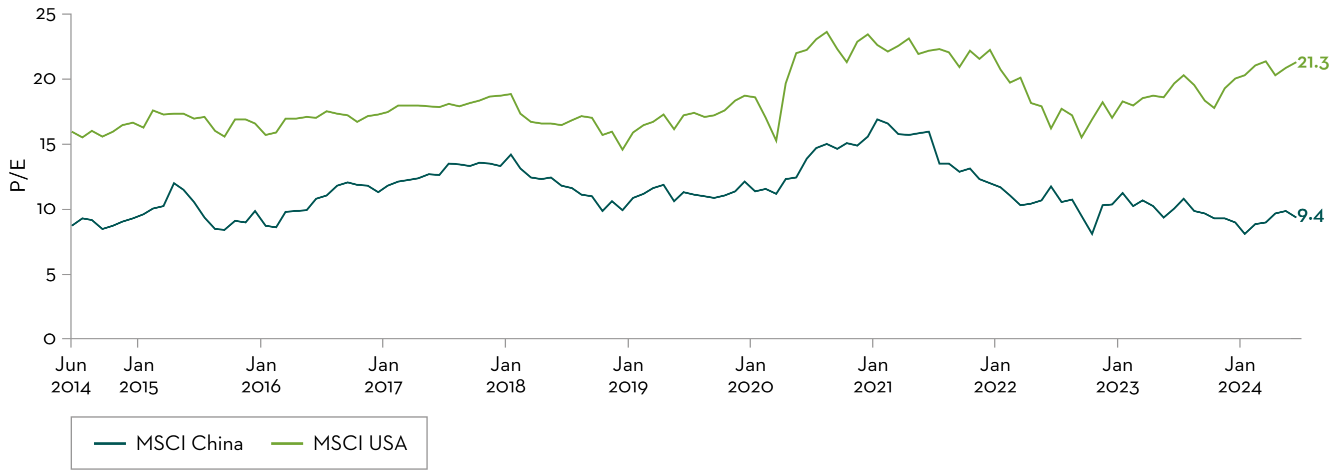
This recent underperformance of China versus other EM countries has dragged down asset class returns, causing some investors to question their overall allocation to it. There are three primary concerns relating to the performance of Chinese equity markets:

1) The domestic economy and the real estate market in particular
2) Geopolitics (especially China-US relations)
3) Finally, the direction of domestic policy as it relates to the private sector

[8]Source: FactSet, as at 31 May 2024.

But we think China presents a counter consensus valuation opportunity. An analysis of the Price/Earnings (P/E) multiple yields interesting results, especially in the context of the strength which we have seen in US markets and can be illustrated in the chart below. China is trading on 9.4x – less than half of the multiple of the US at 21.3x. Put into the context of a ten-year history, we see that, compared to the US market, China has more valuation upside to its average and maximum P/E, with less downside to its minimum P/E.

P/E Multiples of MSCI China and MSCI USA over the past ten years



Source: FactSet, as of 30 June 2024.

"But we think China presents a counter consensus valuation opportunity"

Chinese companies are delivering on fundamentals

At Martin Currie, we use bottom-up, fundamental analysis to identify what we believe to be the best opportunities in EM equities. By examining all our Chinese equity holdings, it is clear that despite the broader valuation derating in the Chinese market, there are many companies which continue to deliver operationally. The table below shows this at a stock level – the projected earnings growth for 2024 for each stock, alongside current P/E in the context of its five-year average (range and mean). For all our strategy's Chinese holdings, the P/E sits within the range seen in the past five years and every stock is near or at its five year low.

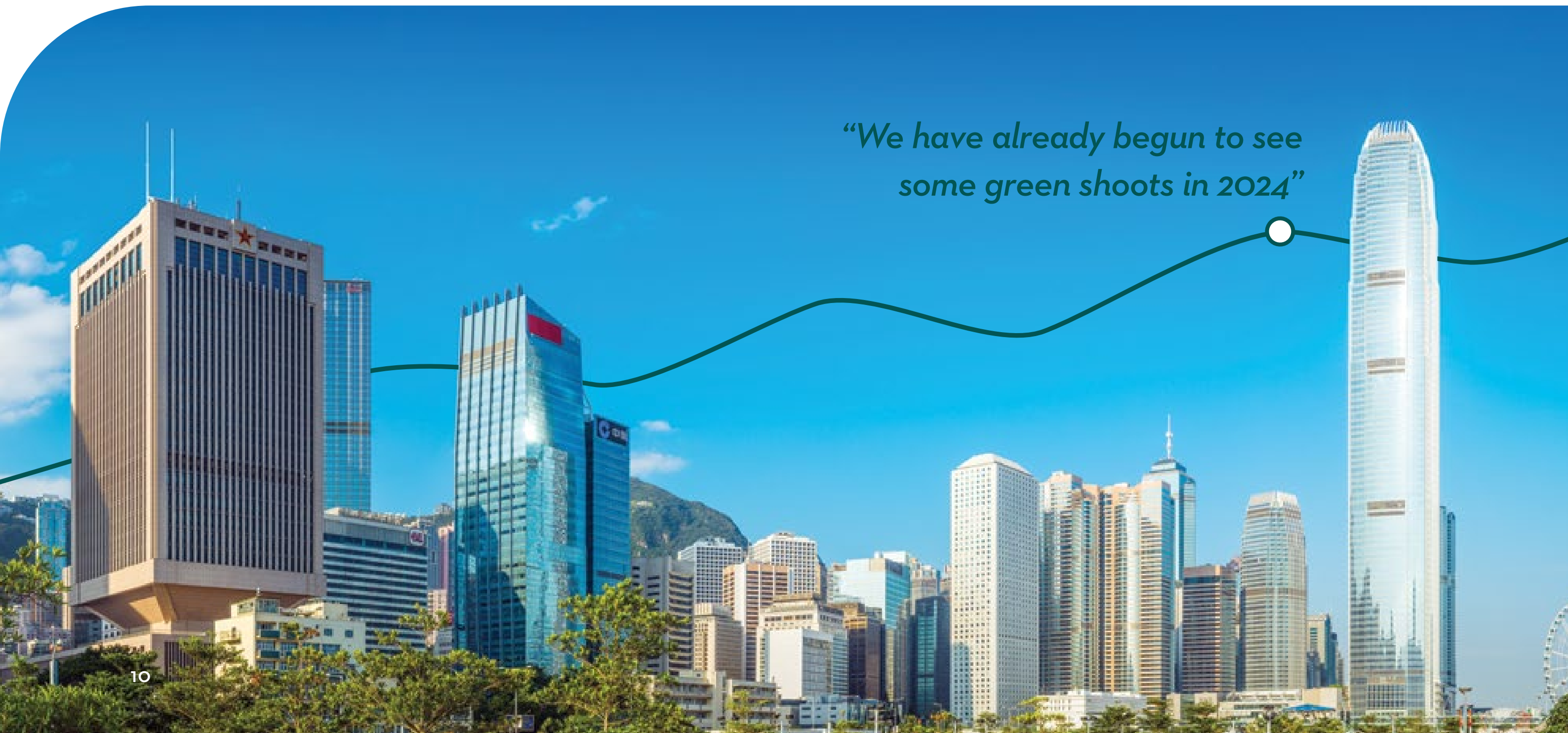
Strategy portfolio holdings P/E and earnings

	2024 Projected Earnings Growth	5 Yr Historical Mulitple Range from 31 May 2019 to 31 May 2024 Low	Range	High	Current P/E as at 31 May 2024	5 year average from 31 May 2019 to 31 May 2024
Tencent	+25%	12.7x		36.1x	16.2	22.5
Alibaba	-8%	7.2x		29.7x	9.1	16.5
China Merchants Bank	+4%	4.4x		13.0x	5.8	8.0
AIA	+60%	9.6x		24.1x	11.9	17.2
Meituan*	+47%	2.2x		22.0x	4.3	8.0
Ping An Insurance	+37%	3.5x		10.9x	5.7	6.9
Minth Group	+20%	4.8x		22.1x	6.6	12.1
CATL	+10%	11.4x		127.7x	17.0	48.0
Shenzhen Inovance	+15%	22.9x		71.6x	23.9	37.5
JD.com	+7%	6.9x		47.9x	9.5	27.0
Proya	+27%	21.1x		68.5x	27.0	44.8
Xinyi Solar	+25%	5.7x		29.7x	7.7	15.8
Shanghai Fosun Pharma	+32%	12.5x		47.6x	16.0	21.4
Shenzhen Mindray	+20%	22.0x		75.9x	23.9	41.3

● Current

Source: Bloomberg and FactSet, 31 May 2024. *Meituan shows the P/B multiple instead of P/E due to data availability.

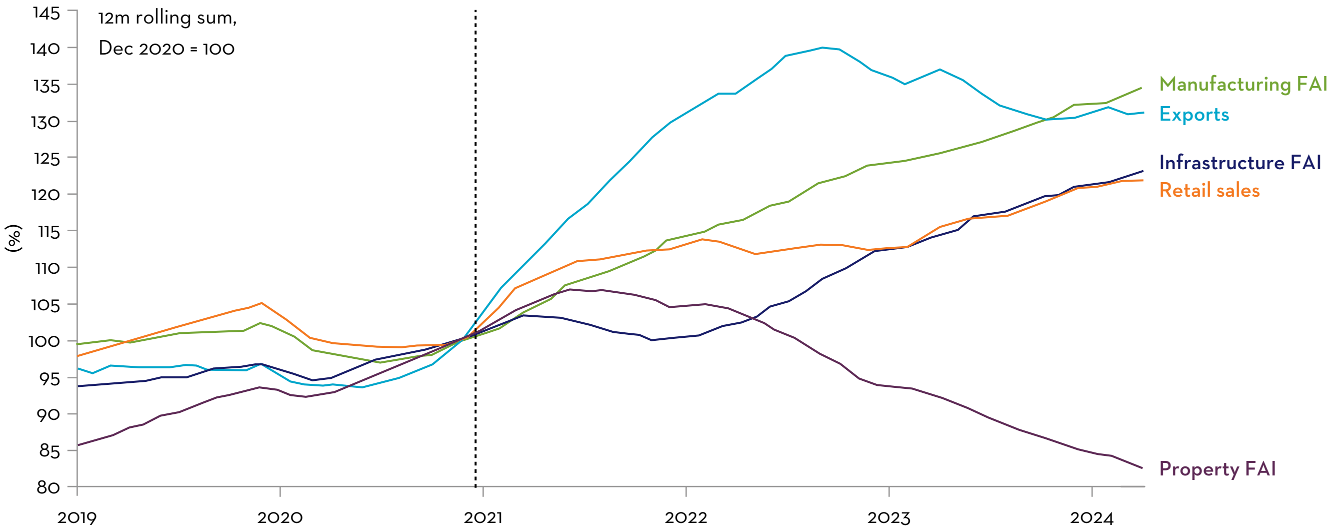
We have already begun to see some green shoots in 2024 as the market began to reward operational delivery in the Chinese market. During the first quarter results season, companies meeting or beating consensus estimates saw a positive market response, which is not something we saw consistently across 2023 when companies derated regardless of the nature of their results. Although this has not been consistent in 2024 so far, we are optimistic that this is the start of a more rational period in which markets return to fundamentals rather than sentiment alone.



Government intervention will support the real estate market

The recent weakness in the Chinese real estate market has become apparent due to years of unsustainable growth. This has had a domino effect in terms of sentiment across all other industries. However, as evidenced below, the main sectors of the Chinese economy outside of real estate have actually grown between 2018 – 2024 as illustrated by the chart below, despite the shorter-term weakness during the 2020 pandemic.

Performance of key segments of the Chinese economy



Source: Macquarie as of 31 May 2024. China Customs, WIND, Macquarie Macro Strategy. December 2020=100, 12 months rolling sum.
FAI = Fixed Asset Indicator, an economic indicator

The worry is that the real estate sector is going to cause the broader Chinese economy to spiral out of control because it is such a key part of the Chinese market, an influencing factor in the market's derating.

But we think this is unrealistic.

We believe that the government will act to stabilise the real estate market, a key step which should also improve consumer confidence. In doing so, it will unlock a positive virtuous cycle on the Chinese economy. This is the single biggest thing that the Chinese government can do. We have already seen a steady flow of policy support and we expect it to intensify, given that a lot of the excess has already been taken out of the real estate sector.

US-China relations are improving

We believe we are heading towards a more stable relationship between the US and China – a sufficiently positive step for the market. A crucial example of this improvement was in November 2023 when Chinese president Xi Jinping stated that the "earth is big enough for both our countries to succeed" following a meeting with President Joe Biden.[9] This positive signal is not unique and we expect that it signals a calmer period of geopolitics, which should be supportive of equity markets.

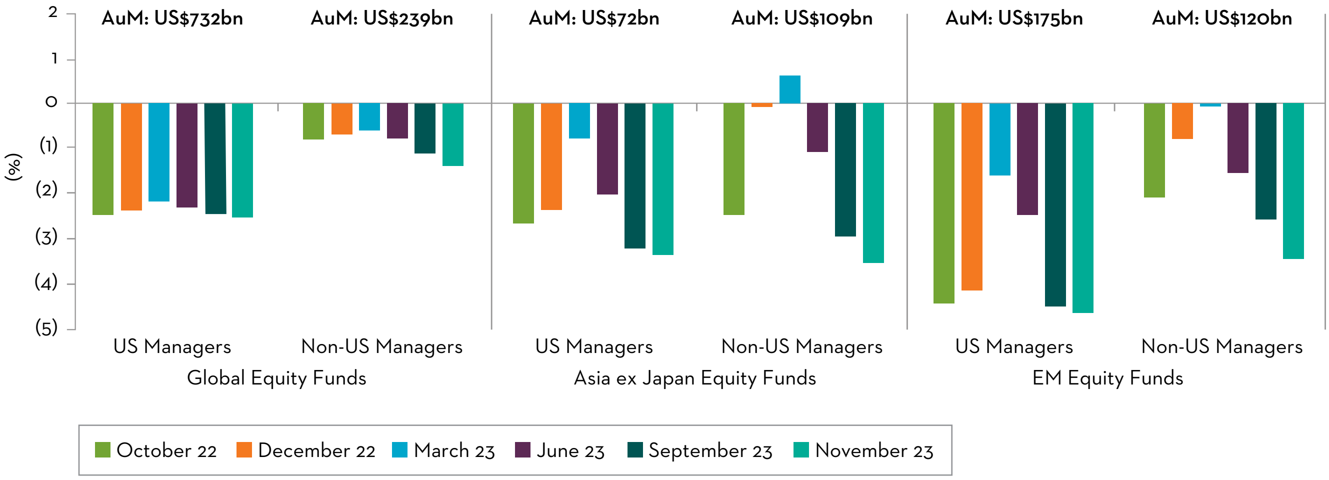
[9]Source: Sky News as at 16 November 2023, https://news.sky.com/story/biden-xi-talks-chinas-president-says-earth-is-big-enough-for-both-our-countries-to-succeed-13009244

Domestic policy increasingly supportive of private sector

China's policymakers are increasingly signalling that private firms are needed in China and economic growth remains a priority. China knows that private firms are needed to achieve their economic desires. The electric vehicle battery sector is an example where the government has provided subsidies, tax breaks and buyer incentives to promote investment, growth and export success of private sector companies. This has helped China become a world-leading producer and consumer of both EV batteries and battery-powered cars.[10]

While the private sector is poised for government-encouraged growth, investors are very negatively positioned. A structural underweight to Chinese equities is one of the most consensus trades in global equities, as shown below. Across all main allocator buckets, investors are on average three to four percent underweight China. Simply moving towards a neutral position in China would represent billions of dollars of inflows into Chinese equities. This creates significant upside potential.

Positon of active long-only managers in China/Hong Kong



Source: Morgan Stanley as at 5 December 2023. Position of Active Long-Only Managers in China/HK.

Despite the challenges presented by the Chinese market, there are several indicators that suggest a positive outlook for investors. The government's anticipated stabilisation of the real estate market, the decrease in geopolitical tensions with the US, and the return of an equity market driven by fundamentals rather than flows, all of which should help to reduce uncertainty and raise confidence in China. This may then encourage global allocators to shift towards a more neutral or even overweight position in China. In our opinion, these factors will increase positive sentiment towards China and, by extension, the EM asset class.

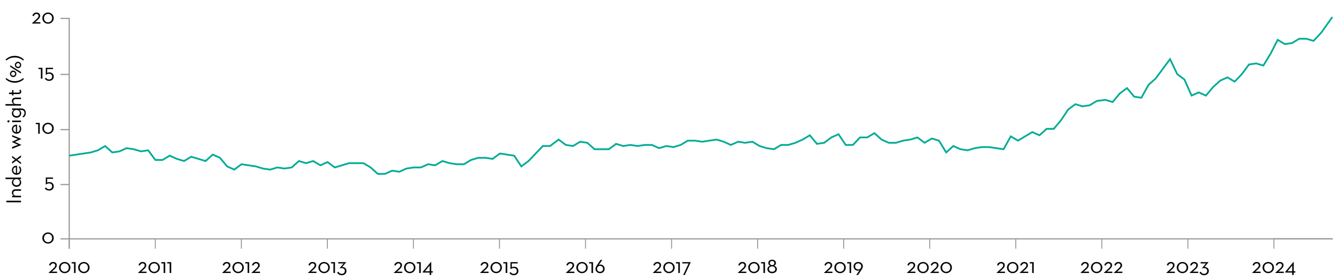
[10]Source: Statista and EV-Volumes, May 2023. Reuters,
https://www.reuters.com/business/autos-transportation/china-announces-extension-purchase-tax-break-nevs-until-2027-2023-06-21/

INDIA HAS THE POTENTIAL TO DRIVE EM FORWARD

India's role in EM has significantly increased in recent years

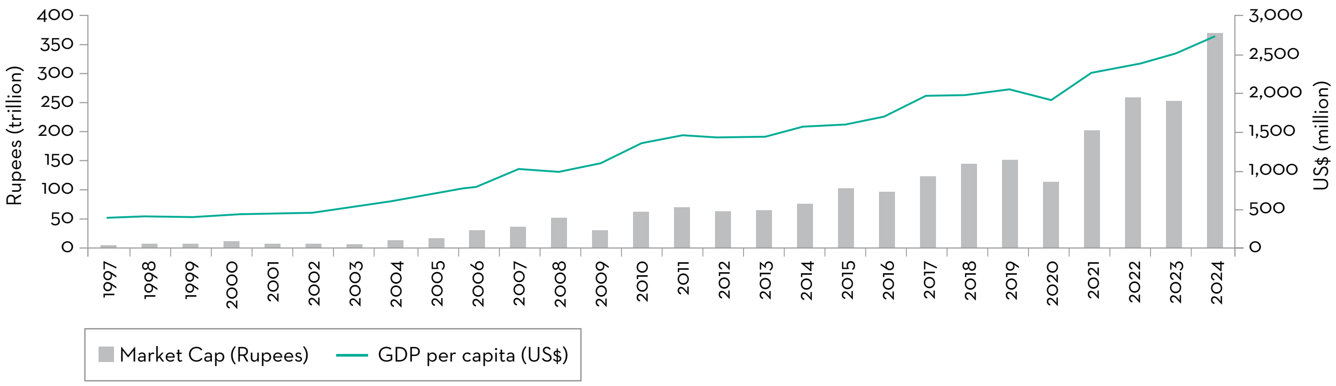
India's programme of structural reform is now enabling it to reach its potential. It has more than doubled its weight in the EM Index in just six years – from 8% to 20%[13]. Strong economic growth delivered in a period where global growth has been challenging has enabled the country to attract investors and power its market cap ascendancy. With tremendous growth in Gross Domestic Product (GDP) per capita as well – India has been able to deliver in-tandem stock market returns.

Weight of India in the MSCI Emerging Markets Index



Source: MSCI and FactSet, as of 30 June 2024.

Indian market capitalisation versus GDP per capita, 1997-2024



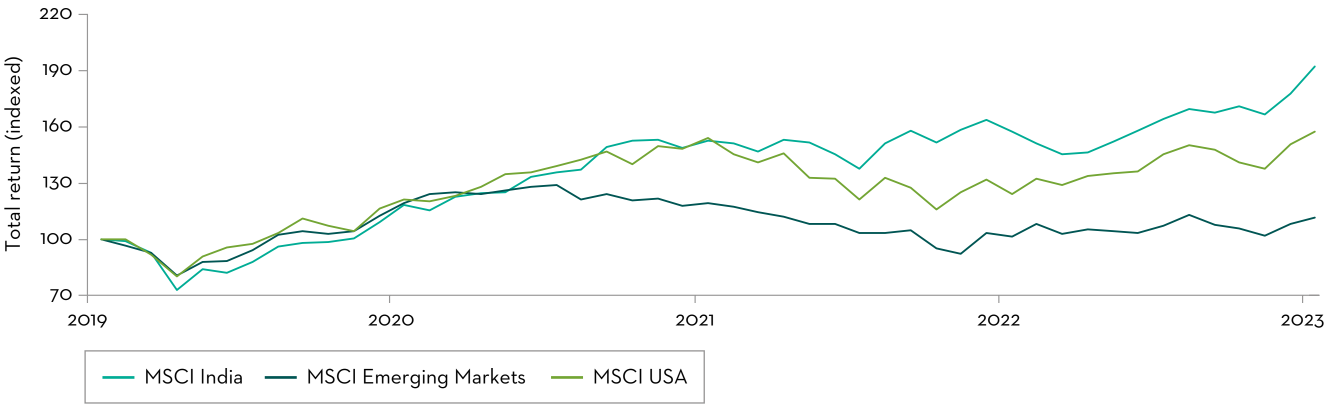
Source: Bloomberg, IMF, CEIC, Kotak Institutional Equities, June 2024. Data as of March fiscal year ends.

[11]Source: Factset as at 2 August 2024.
[12]Source: BBC News as at 1 March 2024.
[13]Source: MSCI and FactSet, as of 30 June 2024.

Indian companies have delivered

Between 31 December 2019 and 31 December 2023, India outperformed EM by 72% and the US by 22%. It achieved this by delivering strong earnings growth.

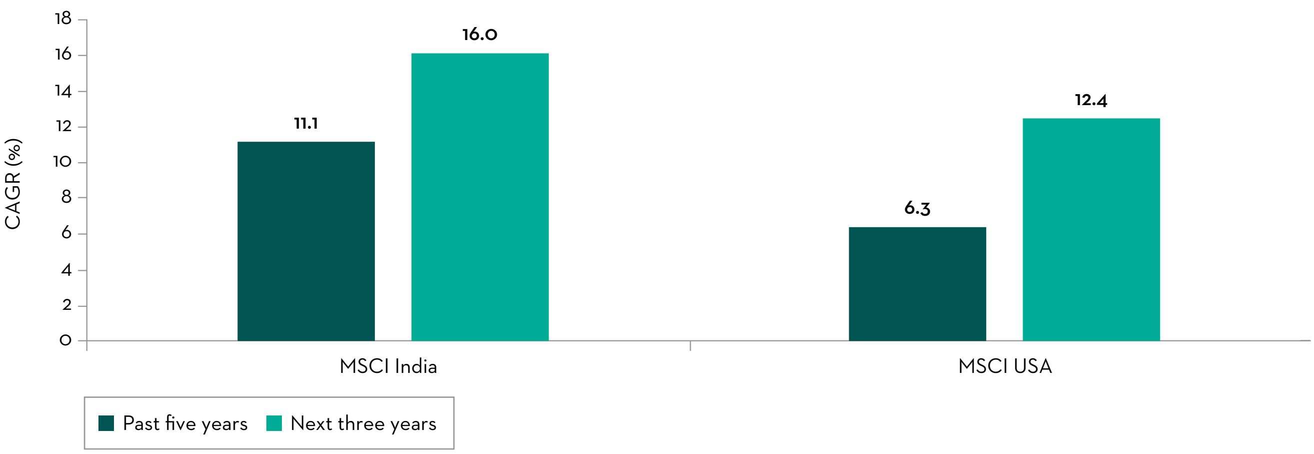
Total return of India, EM and the US over four years



Source: FactSet. Data shown is between 31 December 2019 to 31 December 2023.

India's earnings growth in the past five years has surpassed that of the US by 76%, as shown by the chart below. This has supported its index outperformance. Consensus estimates point towards a continuation of this trend in higher earnings growth – with the three year compound annual growth rate (CAGR) for India approximately 30% higher for India than the US[14]. We believe India's strong earnings growth and will drive the outperformance of EM.

Earnings-per-share growth for India versus the US



Source: FactSet, as at 27 June 2024. Past five years measured from 31 December 2018 to 31 December 2023, using reported earnings. Next three years measured using consensus estimates for the period 31 December 2023 to 31 December 2026. There can be no assurance that estimates will be realised.

[14]Source: FactSet, as at 27 June 2024. Growth over multiple years calculated using the compound annual growth rate (CAGR).

Indian reforms provide structural support

What are some of the reforms being implemented in India?

Demonetisation and GST

The Indian government has decreased the notes in issue in India which effectively forced people to declare their cash (by banking it), driving a formalisation of the economy. On top of this, they introduced GST – a Goods and Services Tax – whose implications were that companies providing goods and services were incentivised to be more transparent in declaring their chain (of sales and purchases) to minimise the amount of tax they are required to pay. For example, a retailer would be liable to pay GST on the incremental difference between the item's sold price and the price they paid their supplier. Without declaring both sides, they'd be liable for the whole amount.

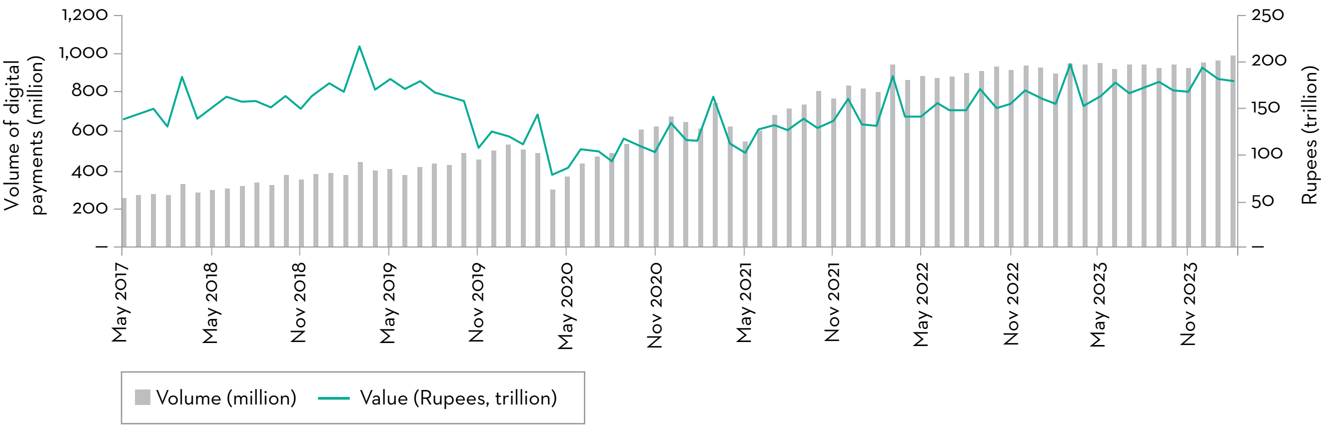
These two reforms have driven a broader move towards the formal sector, where historically much of India's market has been informal. Risks inherent in the informal market are the existence of local sellers with less professional business practices – less tax paying, customer due diligence. The reforms are broad-based but one area which has particularly benefitted is the jewellery market, which has historically been roughly two-thirds in the informal market. Further reforms in this market specifically, include the requirement of identification for purchases over a certain threshold (i.e. increased customer due diligence), and the introduction of hallmarking*. By channelling consumers towards the formal market, these reforms provide companies already operating in this segment with a huge structural opportunity. The bigger the historic tendency to the informal market, the bigger the potential opportunity.

Digitisation

One crucial area of structural change in India is digitisation. One of the most impactful changes in the past 15 years is the introduction of Aadhaar, a biometric identification system. This was launched in 2009 and has over 1.38 billion registered card holders – roughly 97% of the population[15]. Although it is not mandatory, it has several benefits, such as its use as proof of residence. We think the key area of opportunity born out of this is for India's banking sector. A core requirement for opening a bank account is proof of residence – Aadhaar increases financial inclusion by giving people the means to open an account, essential for many jobs, businesses, or state benefits. Since introducing Aadhaar, the percentage of the population with bank accounts has increased from 35% in 2011 to 78% in 2021[16].

Related to this is the increase in digital payments. As the world becomes increasingly digitised, companies and people need to be able to transact digitally too. Obviously, one needs a bank account to do this. The government regularly publishes data on the number of digital payments in India and there is a clear upward trend, as shown below. In March 2024, the volume of digital payments made in India has more than doubled to almost 1 billion, compared to ~400 million five years earlier. With the Indian market becoming increasingly formalised and companies operating in India with a global footprint, we think this trend creates significant opportunity for investors, especially for the financial and fintech industry.

Digital payment adoption in India, 2017-2024



Source: RFI, Kotak Institutional Equities, June 2024. Data as of March fiscal year ends. Data shows Real-time Gross Settlement + National Electronics Fund Transfer + Immediate Payment Services.

*Hallmarking is a centuries-old practice that certifies the metal purity of precious metals

[15]Source: Unique Identification Authority of India (UDAI), as of 29 September 2023, and Statista and IMF, April 2024.

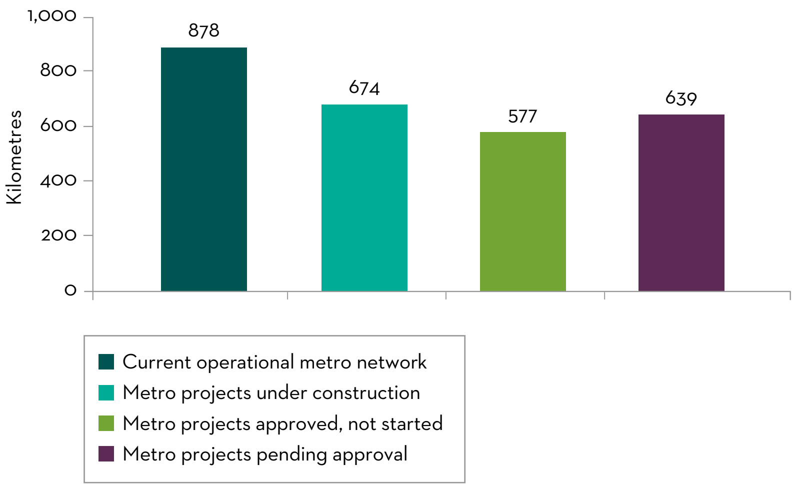
[16]Source: World Bank, June 2024. Account ownership at a financial institution or mobile-money service provider as a percentage of the population aged 15 and above. Data published every three years.

Infrastructure investment

India has implemented a huge infrastructure development project, building roads, affordable housing, airports, and metro systems. These projects have made travel within India significantly more accessible and have also helped to broadly increase standards of living. This higher accessibility and improved living standards have several implications: increased jobs, more efficient commutes, increased leisure travel (internal and international tourism), and more.

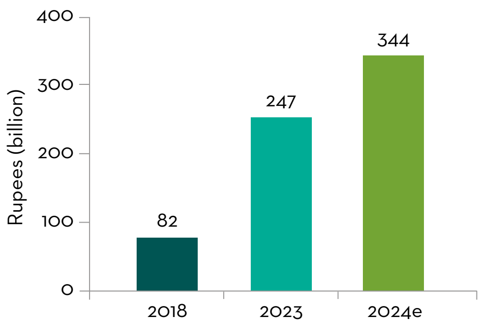
The opportunity for investors is both specific and broad-based. Any increased investment in these areas has the potential to significantly boost productivity in India – the level of which is typically quite low, so any incremental increase can have a large impact on the economy as a whole. Furthermore, infrastructure and related sectors stand to benefit from government investment and projects in motion. This includes, for example, cement, which not only is used in many large infrastructure projects but also, surprisingly, has a meaningful retail market in India.

Indian metro rail length



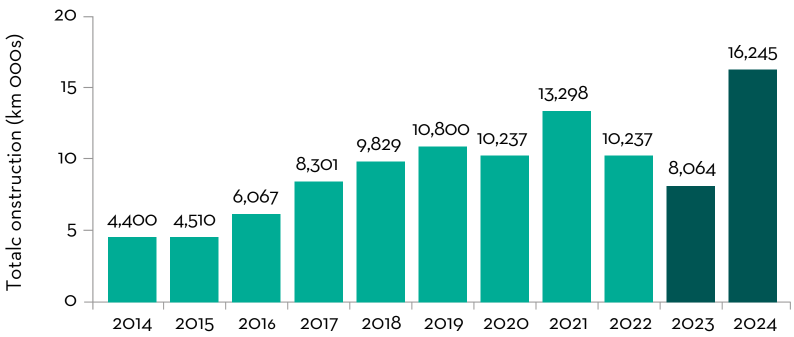
Source: PIB, Kotak International Equities, June 2024.

Investment spend on railways



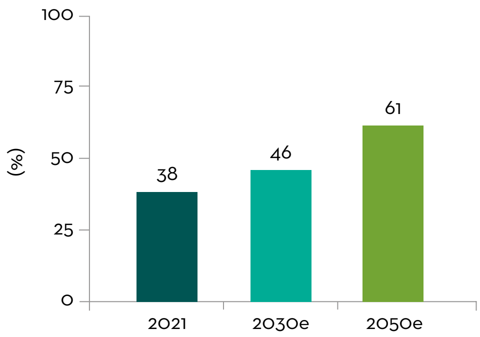
Source: Indian Railways, Kotak Institutional Equities, June 2024. Data as of March fiscal year end.

Road construction



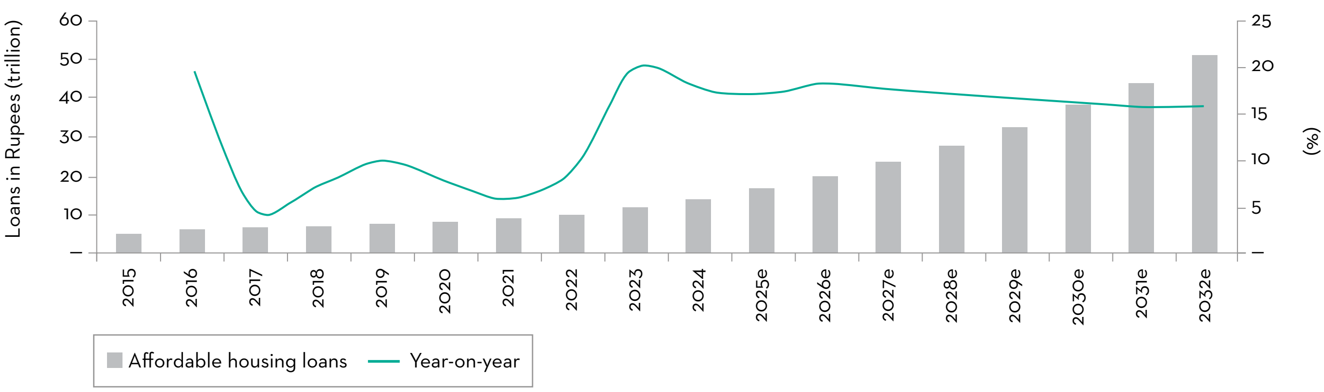
Source: NHAI, Kotak Institutional Equities, June 2024. Data for 2023 and 2024 based on estimates. Data as of March fiscal year end.

Significant increases to urbanisation (% of households living in urban areas)



Source: NSSO – 66th round, CEIC, UN, Kotak Institutional Equities estimates June 2024. Data as of March fiscal year end.

Affordable housing loans growing (outstanding credit)



Source: Crisil, Kotak Institutional Equities estimates, June 2024. Data as of March fiscal year end.

But what does all this mean for equity markets? India is early in its journey of significant reforms which have created a structural growth opportunity for investors. The country has already demonstrated the positive impact of this through its increased relevance in the EM asset class. Although the structural reforms have been supportive, it is the companies themselves which have delivered on earnings and are expected to continue delivering in the years to come.

We believe that India has the potential to drive returns in EM over the next decade as the structural growth opportunities come to fruition and companies rise to the challenges presented to them. We believe India's time has come.

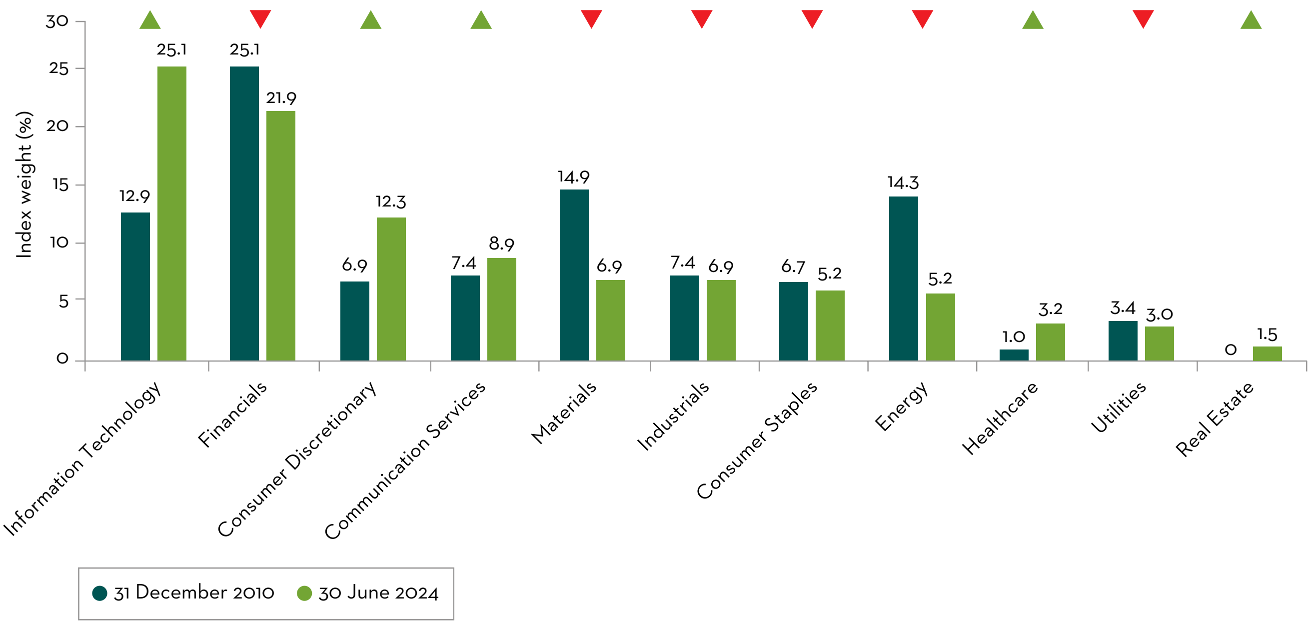
"We believe that India has the potential to drive returns in EM over the next decade"

EM TECHNOLOGY INCREASINGLY VALUED FOR GLOBAL LEADERSHIP

Technology has grown to be the dominant sector in EM

Technology represents almost a quarter of the MSCI EM Index. It has almost doubled in size in since 2010 due to its positive performance and has been the best performing sector over the long term.[17] This is reflective of the broader change in the shape of the asset class over the past 15 years. EM are no longer dominated by commodities and cyclicals – the asset class has global technology leaders that offer innovative products and services, as well as domestic companies which are capitalising on enhancements in digitisation.

Evolution of EM sectors from 2010 to 2024



Source: FactSet, as of 30 June 2024.

[17]Source: FactSet, performance period from 31 December 2009 to 31 May 2024.

EM technology is set to continue compounding high returns and growth to close the valuation, reflective of its global leadership

The US technology industry has remained firmly in the headlines of mass-media with its recent strength and investors could certainly get exposure to the sector through the US market. We believe that this would be missing an opportunity though. EM technology offers higher growth at a lower valuation than the US, which is home to its nearest peers. With cloud computing and the rise of AI, we believe we are at the beginning of another technology investment wave. Earnings Per Share (EPS) growth over the next two years for EM technology is 45%. While the growth runway is impressive for EM technology, it trades at a ~40% discount to US technology with over double the earnings growth.

MSCI Index	P/E (NTM)	EPS Growth 2023-2025 (%)
EM Technology	16x	45
US Technology	29x	23

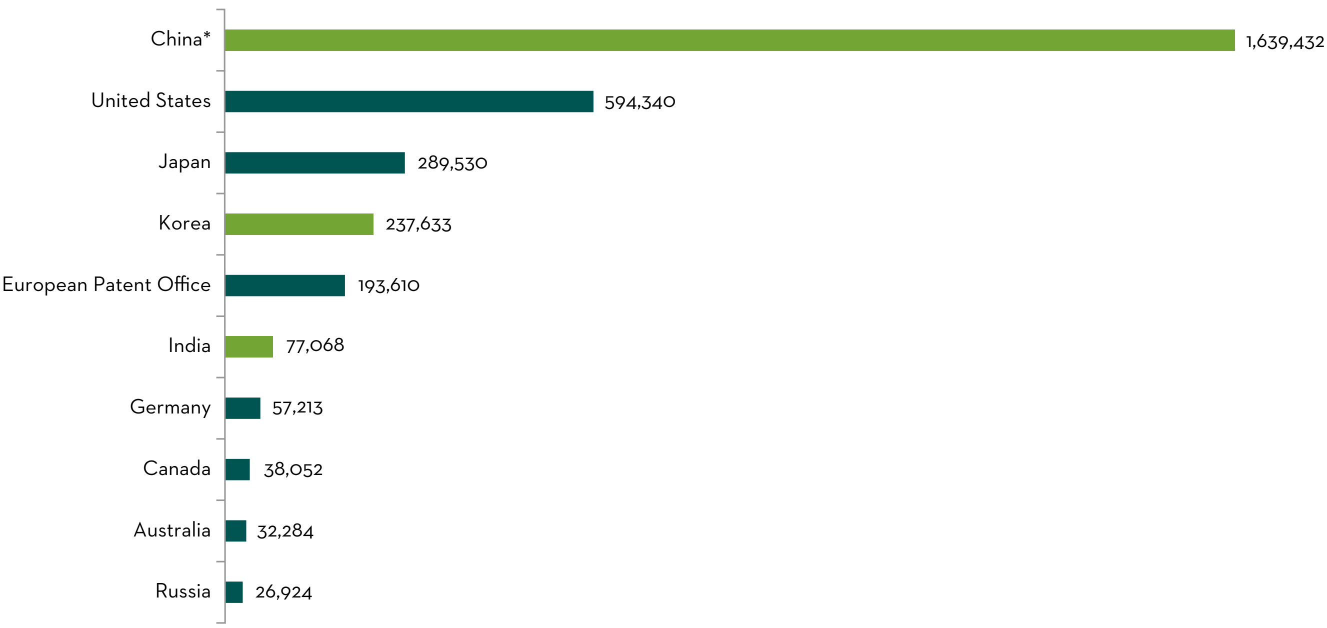
Source: FactSet as of 21 June 2024. Price-to-Earnings (P/E) using Next Twelve Months (NTM) Earnings and the Earnings per Share (EPS) Growth measured using the Compound Annual Growth Rate (CAGR) over two years from 2023 to 2025, for the MSCI Emerging Market Technology Index and MSCI US Technology Index.

With superior earnings growth, high quality, competitive valuation, and bigger weighting in the index, we believe that the sector's contribution will be impactful in the years to come. We think the valuation gap between EM technology and US technology will close.

What makes EM technology so special?

There are more factors at play than simply an attractive price and individual company fundamentals. By exploring more unconventional sources of research, we can see that innovation is a core part of EM. Of the top 20 countries with the most patent applications in 2022, only half are developed market countries. The remainder are emerging and frontier markets. Half of the top six are key emerging market economies: China, Korea and India. These three countries alone represent half of the MSCI EM Index.[18] The volume of applications in China alone is almost triple that of the US. The number of patent applications is just one indicator of thriving research/development in both private and public sectors. This suggests that the innovation runway within technology is strong for the years to come.

Largest 10 national patent offices with number of patent applications in 2022



Source: Statista and World Intellectual Property Indicators as at November 2023. *China includes Hong Kong SAR.

[18]Source: FactSet, July 2024.

Technology in EM has gone from strength to strength – it has evolved to be the most dominant sector in the index by consistently delivering on earnings. Compared to a decade ago, its index weight has doubled so now its relative contribution to index performance is even more impactful than before. The sector is composed of high quality companies with stronger earnings growth expectations and more attractive valuations than its nearest peers – the US technology industry. We think this valuation gap versus the US can close.

We believe EM technology will continue to compound its high returns and growth and achieve the valuation which is reflective of its global leadership. This global recognition of EM technology's leadership and the companies' delivery of earnings growth is what can turn the tide for EM as a whole, helping to navigate towards an exciting future. Technology shaped the evolution of the EM landscape and is positioned to drive its strength in the coming years.

AN EVOLVING LANDSCAPE

We believe the key drivers which will dictate how we navigate the future are all aligned positively for EM. The asset class will continue to evolve and we're excited for the journey ahead.

US:
Policy backdrop becoming more favourable

CHINA:
Returning to a fundamental-driven market should close the valuation gap

INDIA:
The potential of an increasing ability to drive forward earnings growth

TECHNOLOGY:
Increasingly being valued for its global leadership

Important information

This information is issued and approved by Martin Currie Investment Management Limited ('MCIM'), authorised and regulated by the Financial Conduct Authority. It does not constitute investment advice. Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested.

The information contained in this document has been compiled with considerable care to ensure its accuracy. However, no representation or warranty, express or implied, is made to its accuracy or completeness. Martin Currie has procured any research or analysis contained in this document for its own use. It is provided to you only incidentally and any opinions expressed are subject to change without notice.

This document may not be distributed to third parties. It is confidential and intended only for the recipient. The recipient may not photocopy, transmit or otherwise share this [document], or any part of it, with any other person without the express written permission of Martin Currie Investment Management Limited.

This document is intended only for a wholesale, institutional or otherwise professional audience. Martin Currie Investment Management Limited does not intend for this document to be issued to any other audience and it should not be made available to any person who does not meet this criteria. Martin Currie accepts no responsibility for dissemination of this document to a person who does not fit this criteria.

The document does not form the basis of, nor should it be relied upon in connection with, any subsequent contract or agreement. It does not constitute, and may not be used for the purpose of, an offer or invitation to subscribe for or otherwise acquire shares in any of the products mentioned.

Past performance is not a guide to future returns.

The distribution of specific products is restricted in certain jurisdictions, investors should be aware of these restrictions before requesting further specific information.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. These opinions are not intended to be a forecast of future events, research, a guarantee of future results or investment advice.

Please note the information within this report has been produced internally using unaudited data and has not been independently verified. Whilst every effort has been made to ensure its accuracy, no guarantee can be given.

Some of the information provided in this document has been compiled using data from a representative account. This account has been chosen on the basis it is an existing account managed by Martin Currie, within the strategy referred to in this document. Representative accounts for each strategy have been chosen on the basis that they are the longest running account for the strategy. This data has been provided as an illustration only, the figures should not be relied upon as an indication of future performance. The data provided for this account may be different to other accounts following the same strategy. The information should not be considered as comprehensive and additional information and disclosure should be sought.

The information provided should not be considered a recommendation to purchase or sell any particular strategy / fund / security. It should not be assumed that any of the securities discussed here were or will prove to be profitable.

It is not known whether the stocks mentioned will feature in any future portfolios managed by Martin Currie. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.

Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.

Investment Products: NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

MARTIN CURRIE
A Franklin Templeton Company

Martin Currie Investment Management Limited, registered in Scotland (no SC066107)
Martin Currie Inc, incorporated in New York and having a UK branch registered in Scotland (no SF000300), 2nd Floor, 5 Morrison Street, Edinburgh EH3 8BH

Tel: (44) 131 229 5252 Fax: (44) 131 222 2532 **www.martincurrie.com**

Both companies are authorised and regulated by the Financial Conduct Authority. Martin Currie Inc, 280 Park Avenue New York, NY 10017 is also registered with the Securities Exchange Commission. Please note that calls to the above number and any other communications may be recorded.