



Welcome to the Emerging Markets 2020 Outlook Webinar

The presentation will begin momentarily...

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Anindya Chatterjee

Senior Vice President and Lead Portfolio Manager



Anindya is the lead portfolio manager of the Emerging Markets strategy. Anindya has more than 24 years of research experience covering Asian financial markets, and brings a unique blend of top-down and bottom-up research prowess to the team.

Prior to joining Fiera Capital in 2017, Anindya was a Managing Director and Senior Portfolio Manager at City National Rochdale (formerly Rochdale Investment Management), which he joined in 2011. He was the Senior Portfolio Manager of the City National Rochdale Emerging Markets Fund and worked closely with the research team in structuring the Asia-focused fund.

Anindya is the former President of IIFL, Inc. where he worked with U.S. institutional investors and was influential in shaping the equity research sales of the firm. His previous employment includes international research positions in India and Asia, notably as Managing Director and Head of Emerging Markets Asia Equities Research at Jefferies and as Asia Equities Strategist at Bear Stearns.

Anindya earned his M.A. in Economics and Finance from Tulane University. Additionally, he holds an M.A. in Economics from the University of Delhi and an MS in Electronic Commerce from Claremont Graduate University.



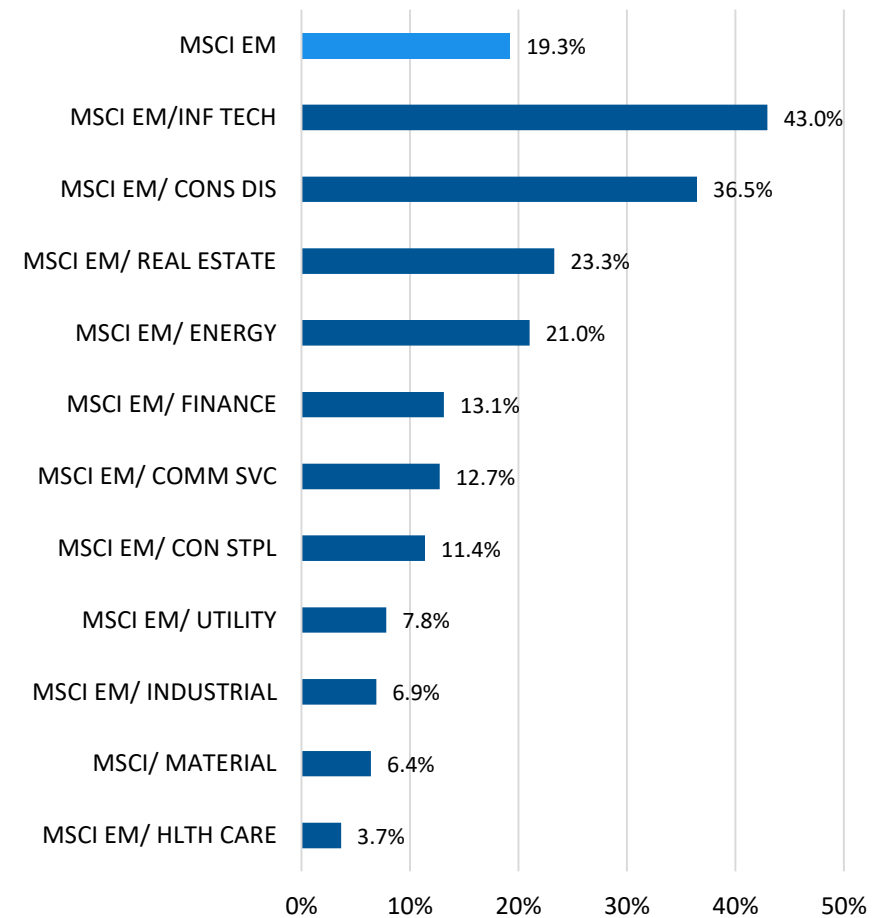
2019 EM Performance

Sector Divergence

EM Equities 2019 Performance Reflects Domestic Demand Resilience

- ▶ MSCI EM Index's approximately 19% 2019 return was strong.
- ▶ The trade war weighed on overall sentiment.
- ▶ The domestic-focused sectors performed better in 2019 than other sectors.

Performance by MSCI EM Sector (%)

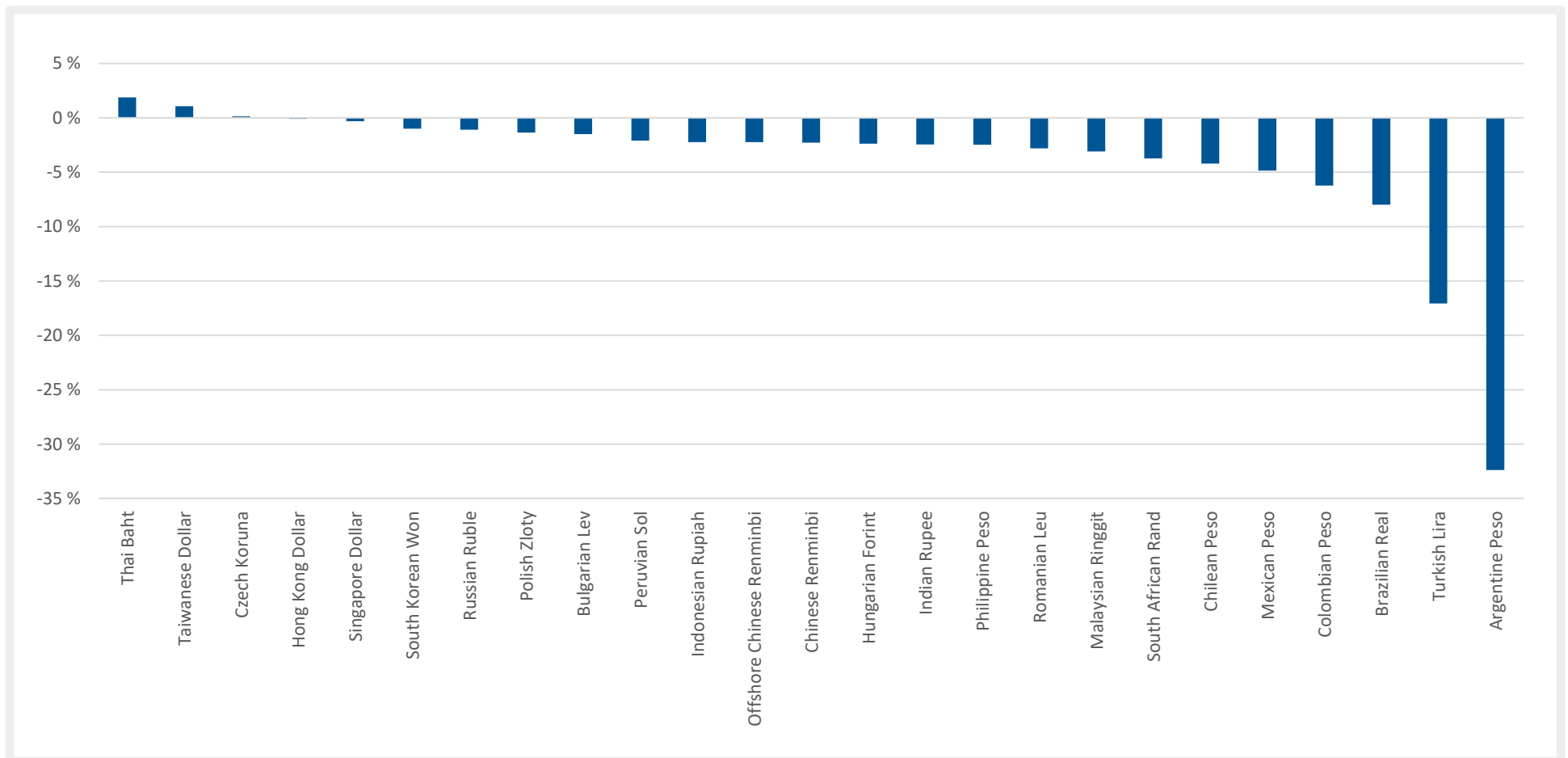


Source: Bloomberg as of 12/31/2019

Currency Comparison

Over the past five years, currencies have depreciated against the dollar, but in vastly different amounts.

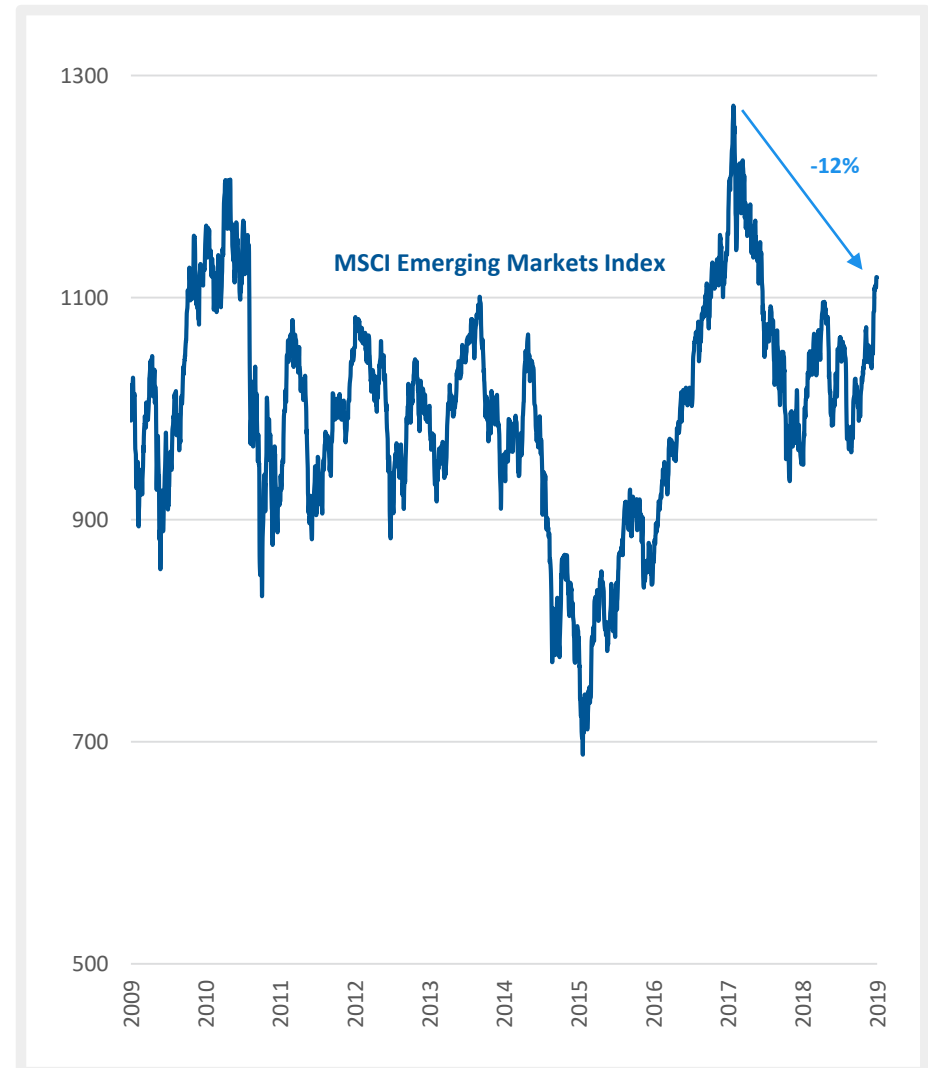
Foreign Exchange Change Against USD Over Past 5 Years (% Annualized)



EM Equities: Still in Lackluster Mood

- ▶ EM equities have recovered since the third quarter of 2018.
- ▶ The US and the other Developed Markets (both S&P 500 and MSCI World Indices) are at all-time high levels.
- ▶ In comparison, the MSCI EM index is still 12% below the recent January 2018 peak, and still below the post-global financial crisis recovery peak of May 2011.

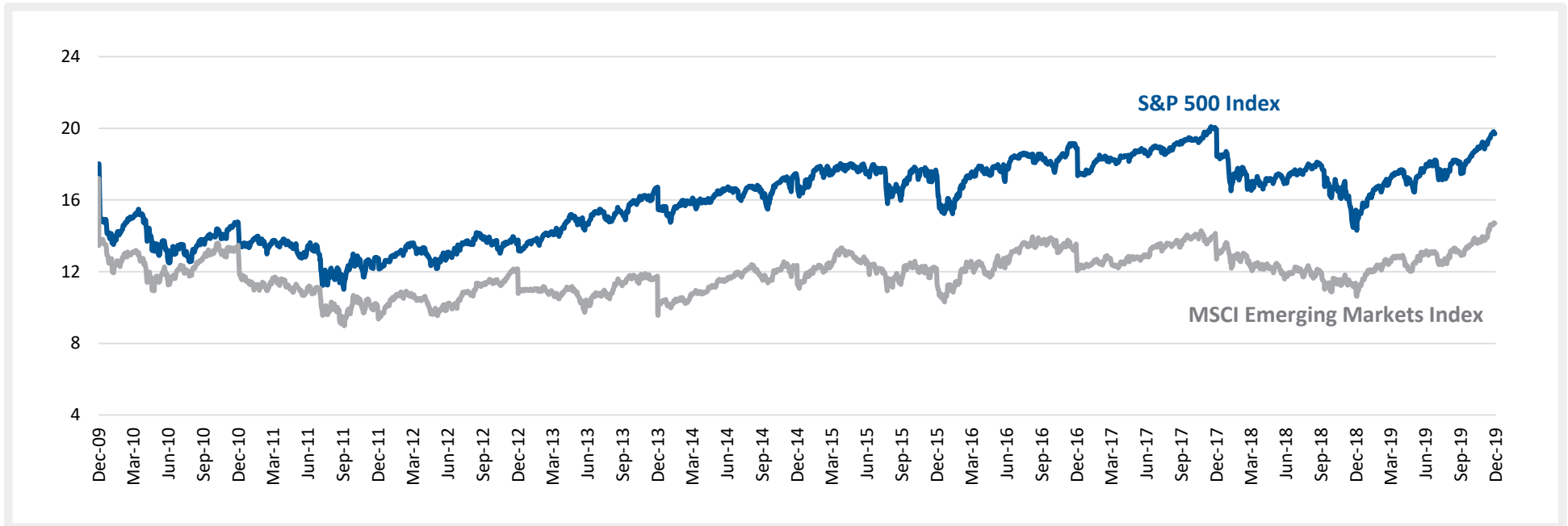
Emerging Market Equities Over the Past Decade



Source: Bloomberg as of 12/31/2019

Emerging Equities De-rated Through the Decade!

Price to Earnings Multiples



Source: Bloomberg as of 12/31/2019

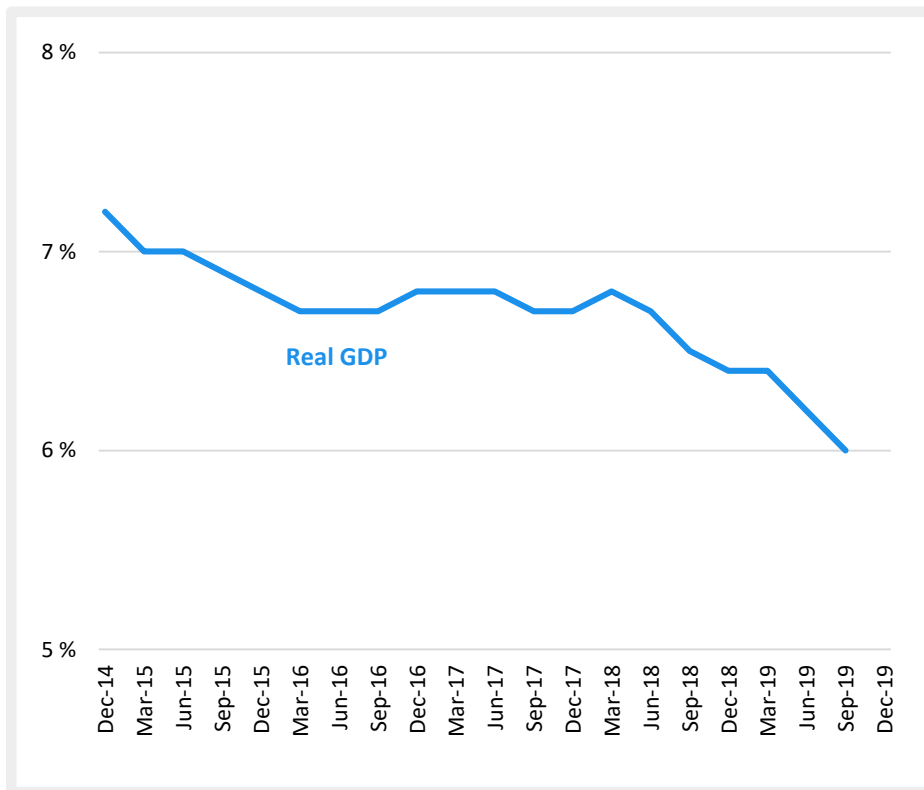
- ▶ We do not see any long-term structural change or damage in EM to warrant a permanent valuation discount in EM equities over US equities.
- ▶ Overall valuation premium of US Equities over EM Equities widened over the past decade and remains stubbornly high.
- ▶ Growth, demographic dividends, and continued reforms amid the ever-present multi-faceted uncertainties remain the hallmark of EM attraction and characteristics.
- ▶ The normalization of the US-EM equity premium seems overdue.

Key EM Economies

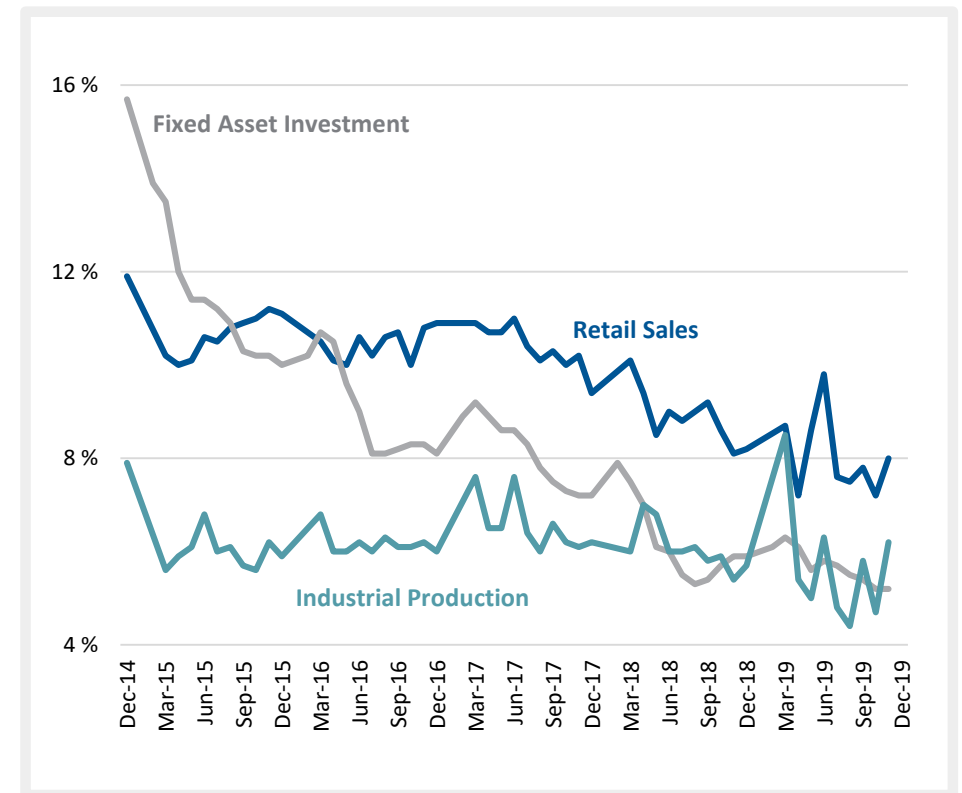
China's Managed Slowdown

- ▶ China's slowdown has been significant throughout the last decade, but the deceleration in growth gathered pace throughout 2018 and 2019.
- ▶ More recently, several indicators hint at the possibility of a bottoming out of China's economy.

Real GDP Growth Rate (China)



Chinese Economic Indicators, Growth Rates

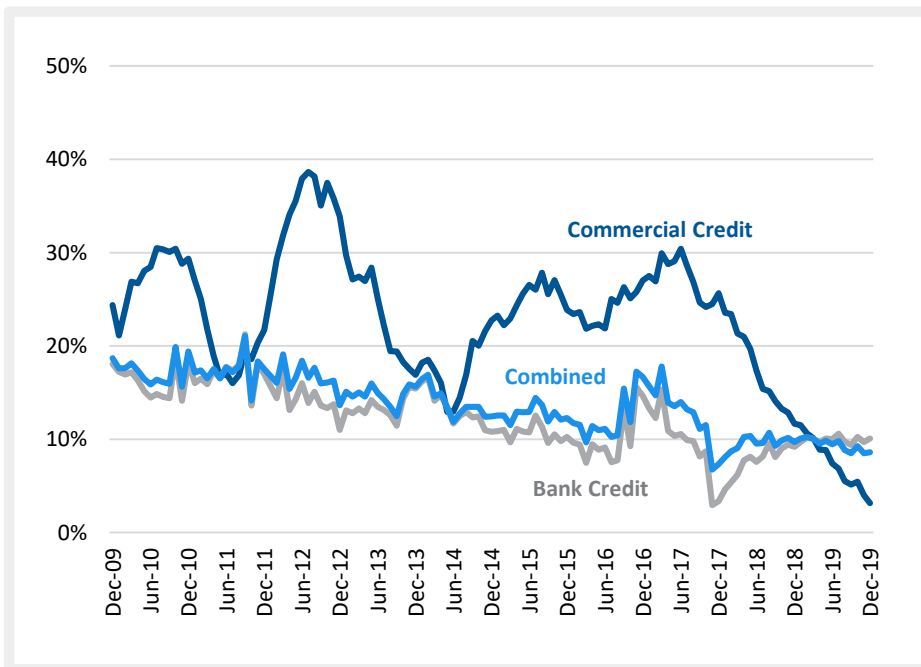


Key EM Economies

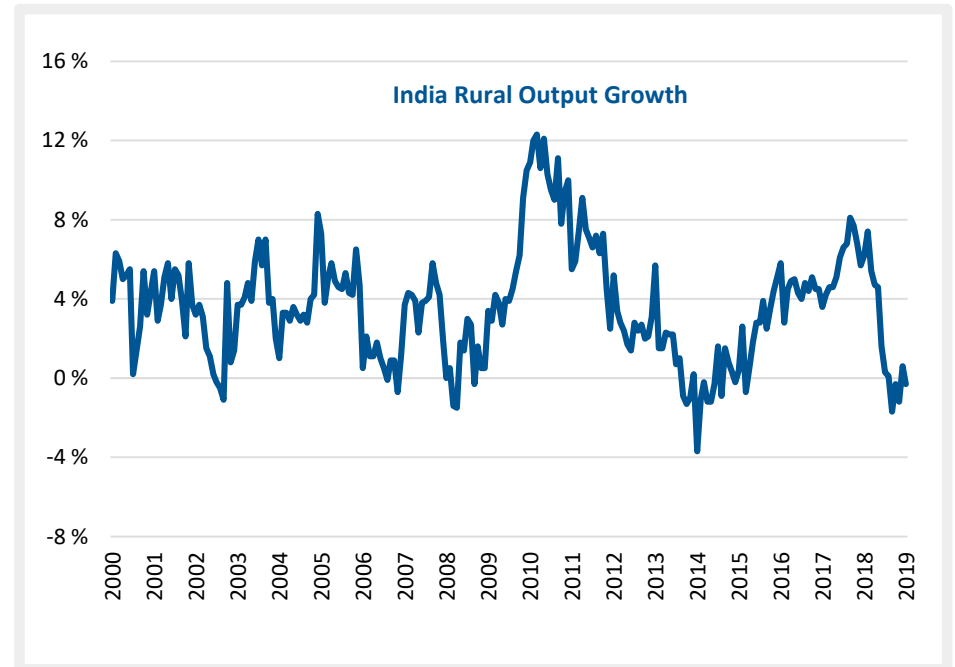
India- Bottoming Out?

- ▶ The slowdown in the Indian economy's year-over-year growth rate from 2018 (8%) to the current growth rate (4.5%) is even more dramatic.
- ▶ The Indian economy is in the grip of a credit squeeze, with a meltdown in the asset quality of lenders. It may take a few more quarters before bottoming out.
- ▶ However, the significant corporate tax cuts kick in this year, the continued GST Reforms and its adaptation by the broader economy, and the government's renewed infrastructure push should be positive for Indian equities ahead.

India's Big Credit Squeeze



Turnaround Ahead?

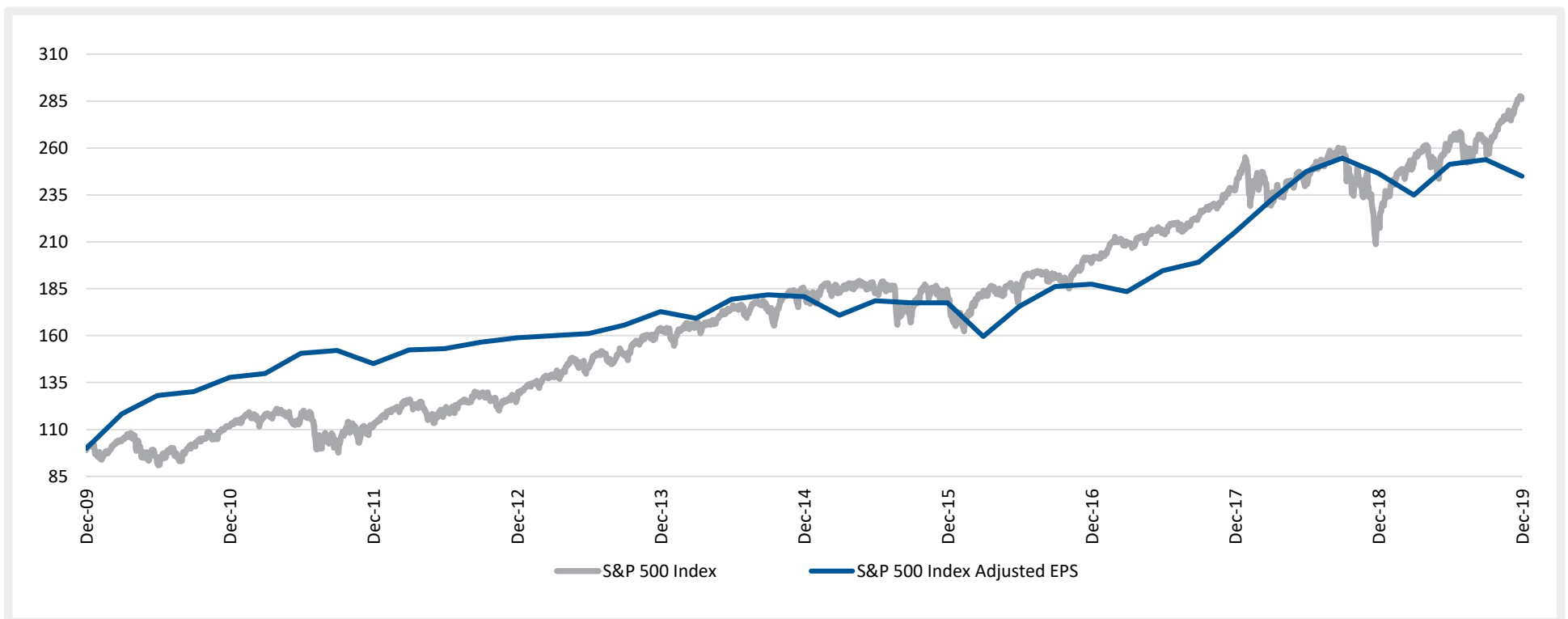


US Equity Outlook

Consensus Convergence

- ▶ *The convergence in the views of market experts on US Equities outlook should make one nervous.*
- ▶ Historic data supports the call for a healthy upside for the S&P 500 Index following a strong year finishing with a strong quarter.
- ▶ This would be a constructive environment for EM Equities.

S&P 500 EPS Kept Pace with the Index (Until Recently)



US Slowdown

- ▶ The recession scares, predicted by a yield curve inversion in the summer of 2019, have died off with subsequent yield curve steepening. However, the US economy is clearly slowing. The US is still expected to post a healthy 2% growth in 2020. Earnings slowdown is perceptible, with the corporate tax cuts in the rearview mirror. The market is likely to see some renewed volatility in 2020 with fresh US recession scares.

Trade War

- ▶ Disappointment in the pace of progress in US-China trade deal negotiations through and beyond Phase I, may impact business and consumer sentiment.

US Politics

- ▶ Increasingly important would be the developments on the Presidential impeachment front and the US Election outcome polls.

Global Geopolitical Concerns

- ▶ Geopolitical risks remain active with defiant Iran and North Korea, and tensions in Hong Kong persist.

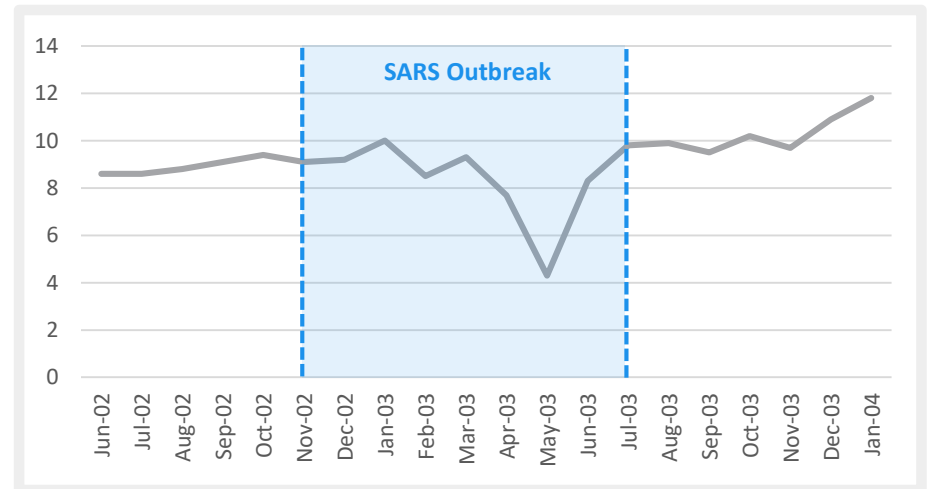
Oil

- ▶ The last quarter of 2019 also saw a firming up of crude oil prices. That is particularly a concern for crude-importing EM Asia. Nonetheless, amid a global slowdown, EM Asia would stand out with its bottoming out of growth slowdown and with its still relatively attractive absolute levels of growth.

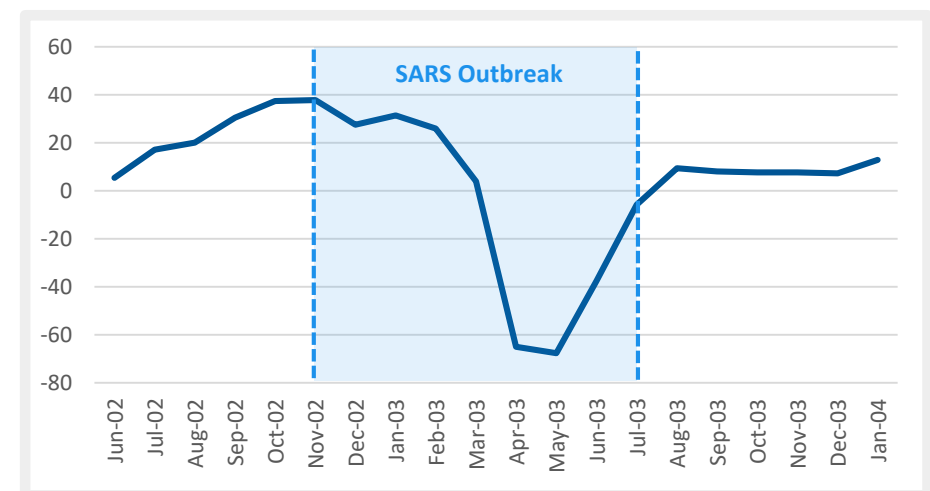
Putting the Recent Outbreak in Context

- ▶ The first case of the Wuhan Coronavirus was diagnosed on December 30, 2019. As of January 28th, 2020, more than 5900 cases of the infection have been confirmed and more than 132 people have died, and the situation is officially acknowledged as “grave” by China, with the number of incidences and fatalities rising. Travel restrictions have been imposed on more than 50 million people within China, besides quarantining the Wuhan area population, and several countries have issued travel warnings to China. Parallels are being drawn with the 2003 SARS epidemic. The WHO and scientists have noted that the 2019-nCov is “clinically milder” virus than the SARS virus.
- ▶ The SARS outbreak infected over 8,000 and killed nearly 800 people globally. SARS briefly, but severely impacted the Chinese economy. China’s 2Q03 GDP growth at -4% QoQ /+9% YoY was a sharp slowdown from 1Q03’s GDP growth of +12% QoQ /+11% YoY. During that period China travel volumes decreased by 50% YoY. However, it is important to note that six months following the first news of the SARS outbreak, economic activity recovered sharply as the number of new SARS incidences subsided.
- ▶ We are monitoring the current situation closely as it evolves. It is too early to evaluate impact on growth, earnings, etc. While we can learn from the 2003 SARS outbreak experience, we note that better monitoring and surveillance technology, increased general awareness through social media, and more advanced medical science should help contain outbreaks better than what we had nearly 20yrs ago. Looking beyond a few quarters, we would expect normalcy to resume with an initial sharp recovery on the back of pent up demand. The Chinese government has been more proactive in addressing the issue than in 2003, in our view. While this might ultimately better contain the spread of the disease, it may also severely impact the economy in the near term.

China Retail Sales (% Change YoY)



Hong Kong Visitor Arrivals (% Change YoY)



In Search of Growth Resilience

- ▶ The US economy is slowing, and we hope as investors seek resilient growth, the domestic demand-focused sectors, particularly in EM Asia will stand out.
- ▶ China, Philippines, and Indonesia are markets where we see pockets of value.
- ▶ Among the sectors that underperformed last year – Healthcare, Financials, and Utilities offer value.
- ▶ On the other hand, the Technology and Consumer discretionary sectors appear rich in valuation, but there would still be ample bottom-up stock-picking opportunities.
- ▶ Overall, we are betting on an outperformance of EM Equities over US Equities, and a cautious fundamental research-driven bottom-up approach remains key for investment in EM equities, in our view.

Despite some slowing, EM Asia continues to grow faster.

Real GDP Growth (Annual percent change)	2012-2016 Average	2017	2018	2019F	2020F	2021F
Advanced economies	1.7	2.5	2.3	1.7	1.7	1.6
Emerging market and developing economies	4.8	4.8	4.5	3.9	4.6	4.8
World	3.5	3.8	3.6	3.0	3.4	3.6

ADVANCED ECONOMIES

United States	2.2	2.4	2.9	2.4	2.1	1.7
European Union	1.3	2.8	2.2	1.5	1.6	1.7

EMERGING/FRONTIER AMERICAS

Argentina	-0.1	2.7	-2.5	-3.1	-1.3	1.4
Brazil	-0.3	1.1	1.1	0.9	2.0	2.4
Mexico	2.8	2.1	2.0	0.4	1.3	1.9

EMERGING ASIA

China	7.3	6.8	6.6	6.1	5.8	5.9
India	7.1	7.2	6.8	6.1	7.0	7.4
Indonesia	5.3	5.1	5.2	5.0	5.1	5.2
Korea	2.9	3.2	2.7	2.0	2.2	2.7
Malaysia	5.1	5.7	4.7	4.5	4.4	4.9
Philippines	6.6	6.7	6.2	5.7	6.2	6.4
Thailand	3.5	4.0	4.1	2.9	3.0	3.5

EMERGING/FRONTIER AFRICA

Nigeria	3.4	0.8	1.9	2.3	2.5	2.5
South Africa	1.6	1.4	0.8	0.7	1.1	1.4

EMERGING EUROPE/MIDDLE EAST

Russia	0.8	1.6	2.3	1.1	1.9	2.0
Saudi Arabia	3.5	-0.7	2.4	0.2	2.2	2.2
Turkey	5.5	7.5	2.8	0.2	3.0	3.0



Any questions?

Please submit them in the Q&A section toward the bottom right-hand portion of your screen.

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MXEF: MSCI Emerging Markets Net Total Return Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Net total return indexes reinvest dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

MSMS: MSCI Emerging Markets Asia Net Total Return Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Asian emerging markets. Net total return indexes reinvest dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

Alpha: A measure of performance on a risk-adjusted basis

Currency Appreciation: An increase in the value of currency relative to another currency

Earnings Per Share (EPS): The portion of a company's profit allocated to each outstanding share of common stock

Earnings Per Share Growth (EPS Growth): Illustrates the growth of earnings per share over time

Gross Domestic Product (GDP): Market value of final goods and services produced over time. This includes the income of foreign corporations and foreign residents working within the country, but excludes the income of the country's residents and corporations overseas

Gross Domestic Product Growth (GDP Growth): Illustrates the growth of gross domestic product over time