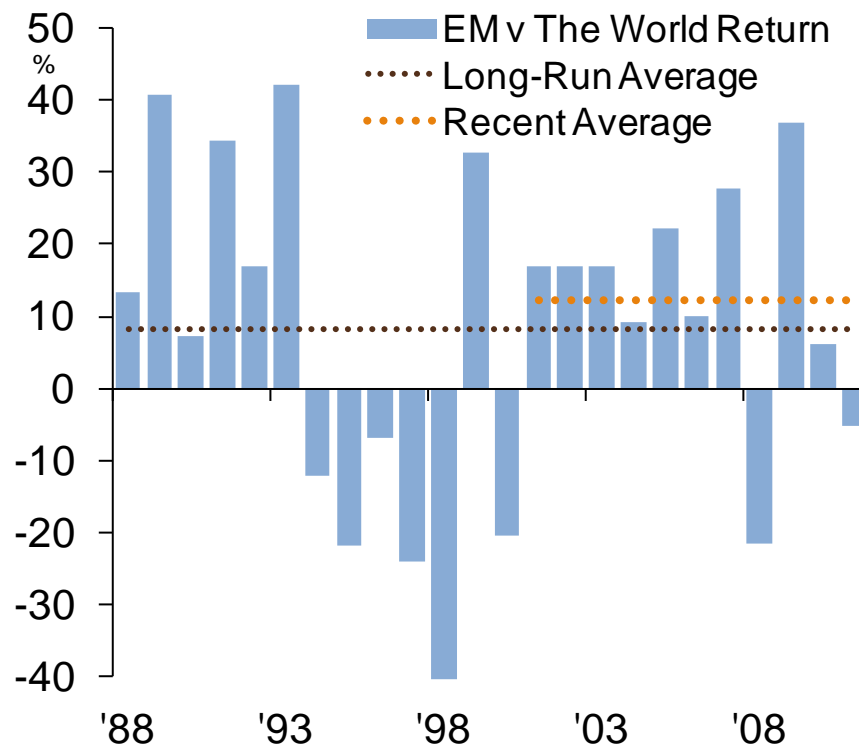




Equity Opportunity

- Average outperformance of emerging markets equities: 8% / year
- But over last 10 years it has been 12%

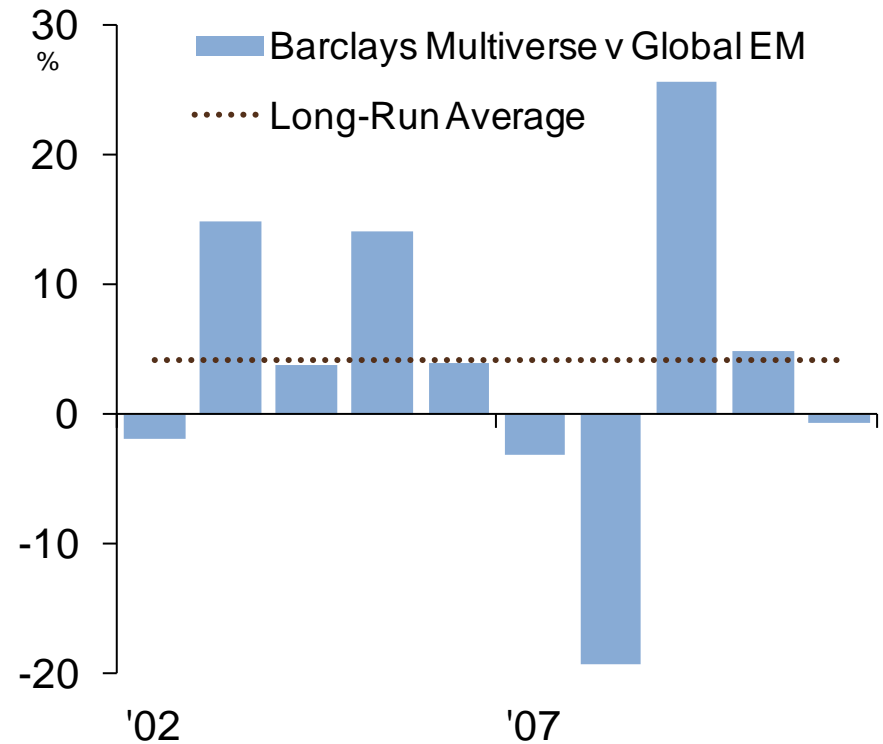


Note: Euro terms from 1999, Irish pound prior. Latest flow data 18 March 2011. Source: J.P. Morgan Asset Management.



Fixed Income Opportunity

- Average fixed income outperformance has been 4% / year
- Returns better in the future due to low yields in developed markets

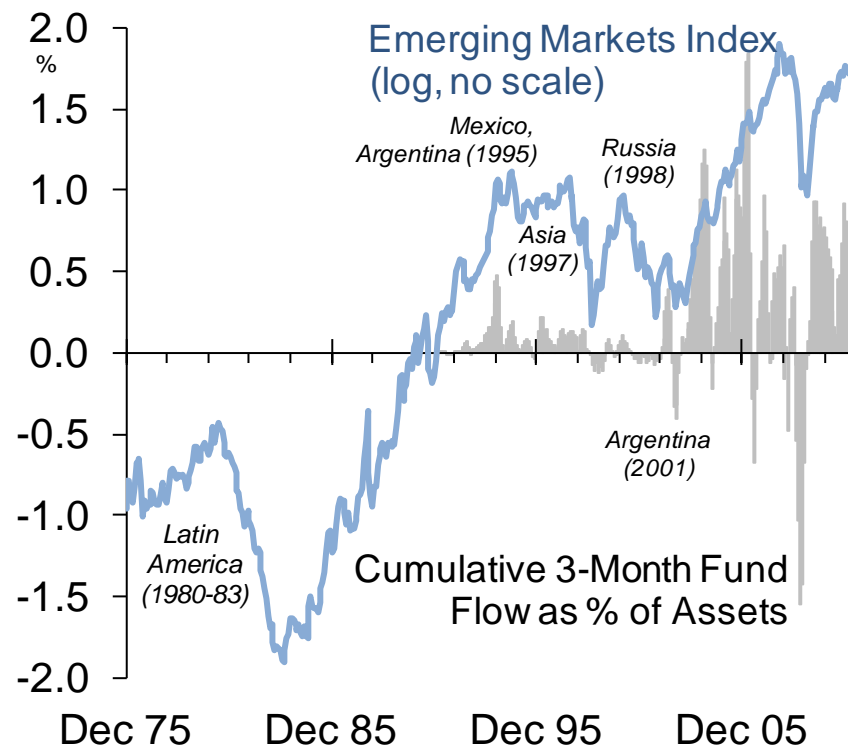


Note: Euro returns. Latest flow data 18 March 2011. Source: Barclays, J.P. Morgan Asset Management.



Equity Risk

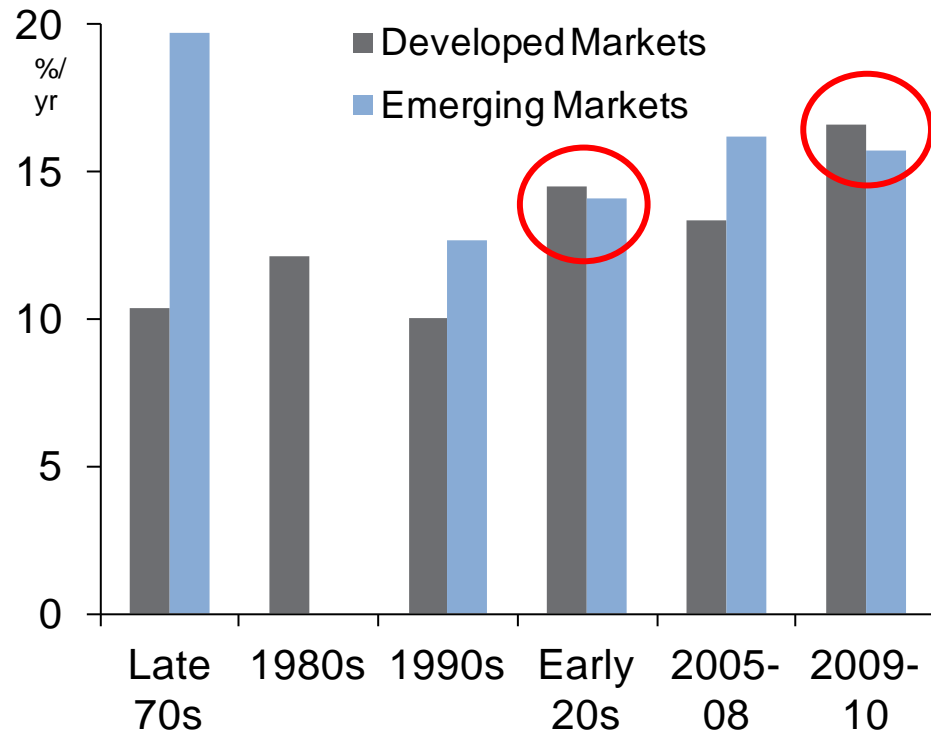
- Risk of crisis has fallen
- No fixed exchange rates, huge CA deficits, foreign currency loans
- Outflows only temporary setback





Volatility

- Emerging markets used to be much more volatile
- Maturing markets means less volatility

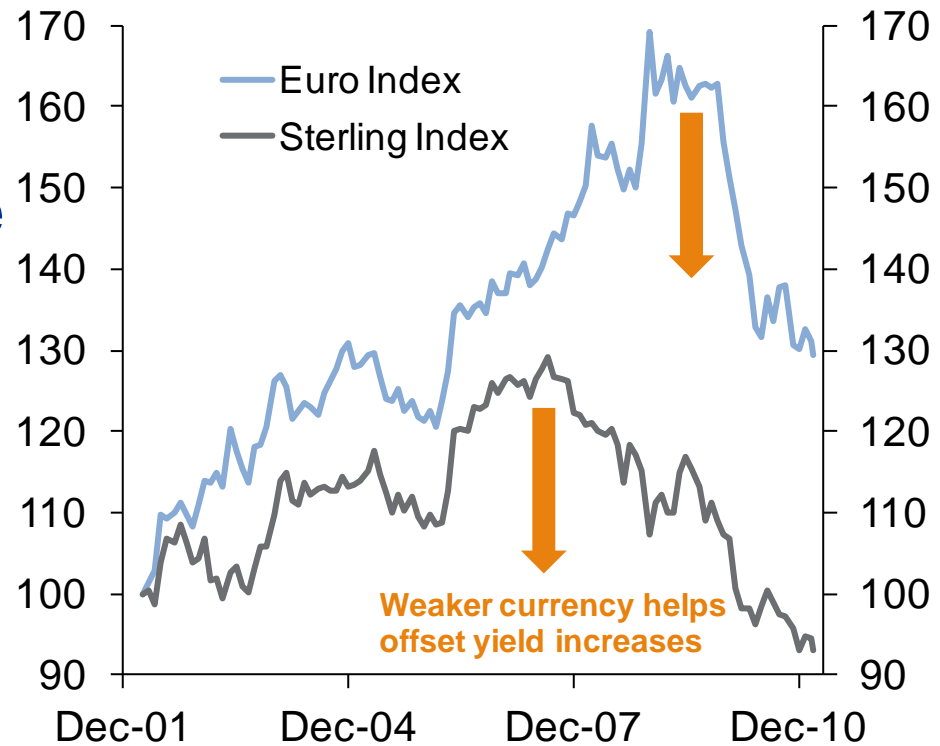


Note: Monthly frequency in USD terms until 1987, daily frequency in local currency terms subsequently. Data as at 31 December 2010. Source: IFC, MSCI, J.P. Morgan Asset Management.



Local Currency Debt

- Emerging market currencies should continue to appreciate
- Rising EM currencies can offset increases in bond yields

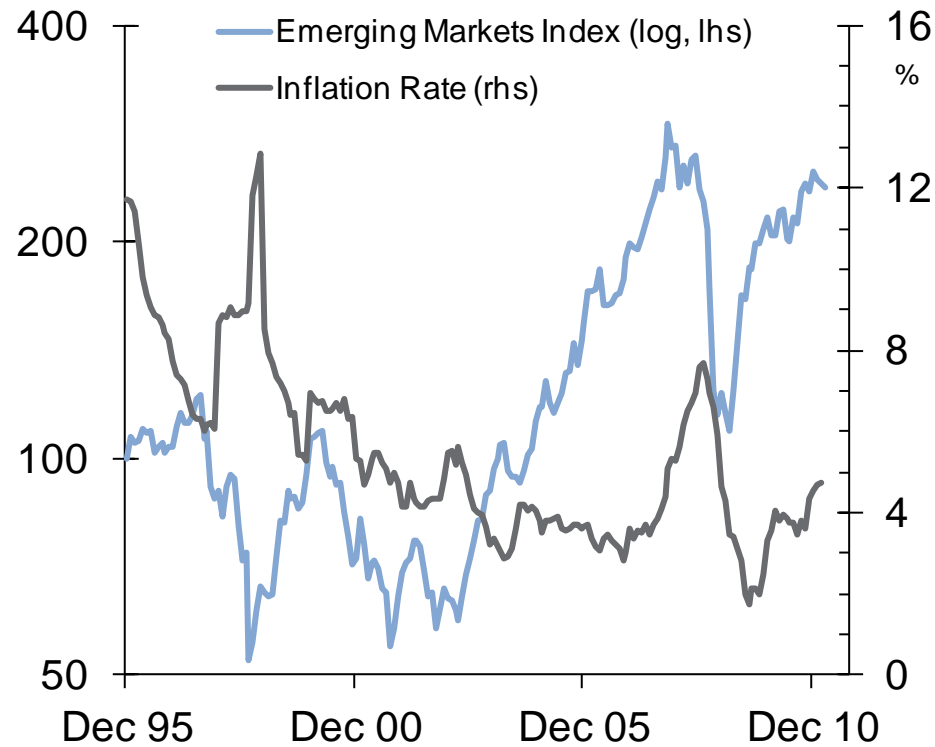


Note: Monthly rebalancing, quarterly weights based on country membership in J. P. Morgan GBI-EM Broad Index. Latest data 10 March 2011. Source: J.P. Morgan Asset Management.



Inflation and Equities

- Equities generally benefit from (moderately) rising prices
- Risk is from inappropriate monetary policy response
- High commodity weightings offer extra protection

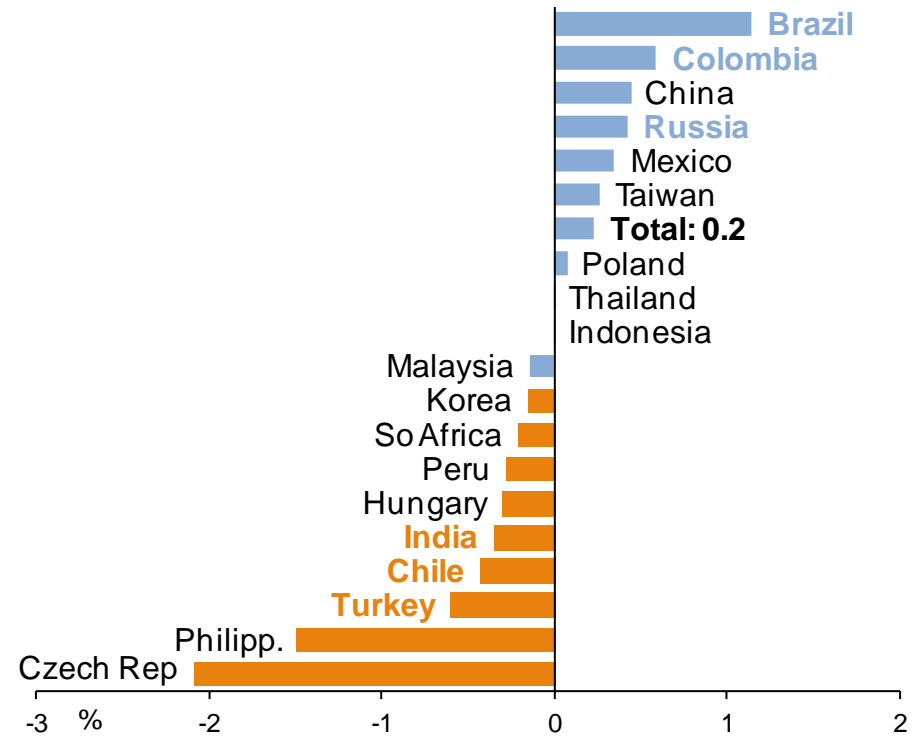


Note: Index in USD terms. Inflation rate weighted by MSCI market capitalization. Last data 10 March 2011. Source: FactSet, J.P. Morgan Asset Management.



Earnings Revisions

- Commodity exporters seeing most upgrades
- Inflation concerns hurting a select few



Revisions to estimated next-twelve-months earnings over the last month. Latest data available as at 18 March 2011. Source: IBES, J.P. Morgan Asset Management.



Energy Intensity

- Emerging markets energy intensive
- Best relative equity returns (and outlook) is for oil producers: Russia, Canada, Malaysia (orange bars)

