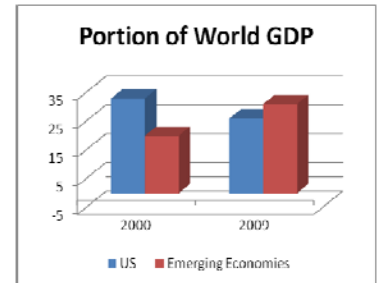


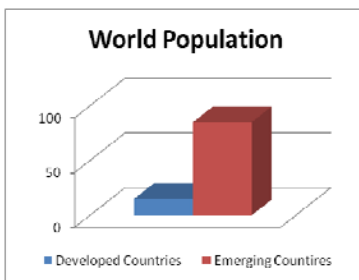
The case for emerging markets

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According to the International Monetary Fund, in 2000 the United States contributed 33 percent to world Gross Domestic Product (GDP) while emerging economies contributed 20 percent. Currently the US is contributing 26 percent to world GDP and emerging economies 31 percent. Today 56 percent of the growth in world GDP is attributable to emerging economies.



Emerging economies, as categorized by IMF, include 140 countries and represent 85 percent of the world's population. Their share of the world's stock market cap is only 12.3 percent, but that has more than doubled from 5 percent in 2000.



The rapid growth in emerging economies has led to a dramatic rise in the standard of living and per capita income for residents of many developing countries. As an example, in China per capita income is approaching \$6,000, a threshold that historically suggests exponential growth in the consumption of consumer goods leveraged through consumer financing. The emergence of their consumer is integral to the economic growth of emerging economies.

Emerging economies and their stock markets showed indications of stability and resilience during the economic downturn. Emerging economies now represent more than 60 percent of foreign exchange reserves, which is one measure of fiscal stability.

We are witnessing fundamental changes in developing economies that will accelerate over the next 20 years. Emerging economies represent the majority of the world's population, needs and economic growth potential. Their growth in world stock market cap and world GDP have changed the way investors should look at the world. As financial markets struggle to understand and adapt to these fundamental changes there will be volatility accompanying the opportunity, yet the case for diversifying a portion of investment portfolios into emerging markets is compelling.



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