



**THOMAS WHITE INTERNATIONAL**  
Capturing Value Worldwide<sup>SM</sup>



# **FPPTA OCTOBER SCHOOL 2012**

## **THE GLOBAL OUTLOOK & STATE OF EMERGING MARKETS**

**CEU SESSION IV: NEW INVESTMENT IDEAS**  
**TUESDAY, OCTOBER 9, 2012**  
**BONITA SPRINGS, FL**  
**2:15 PM – 3:35 PM**

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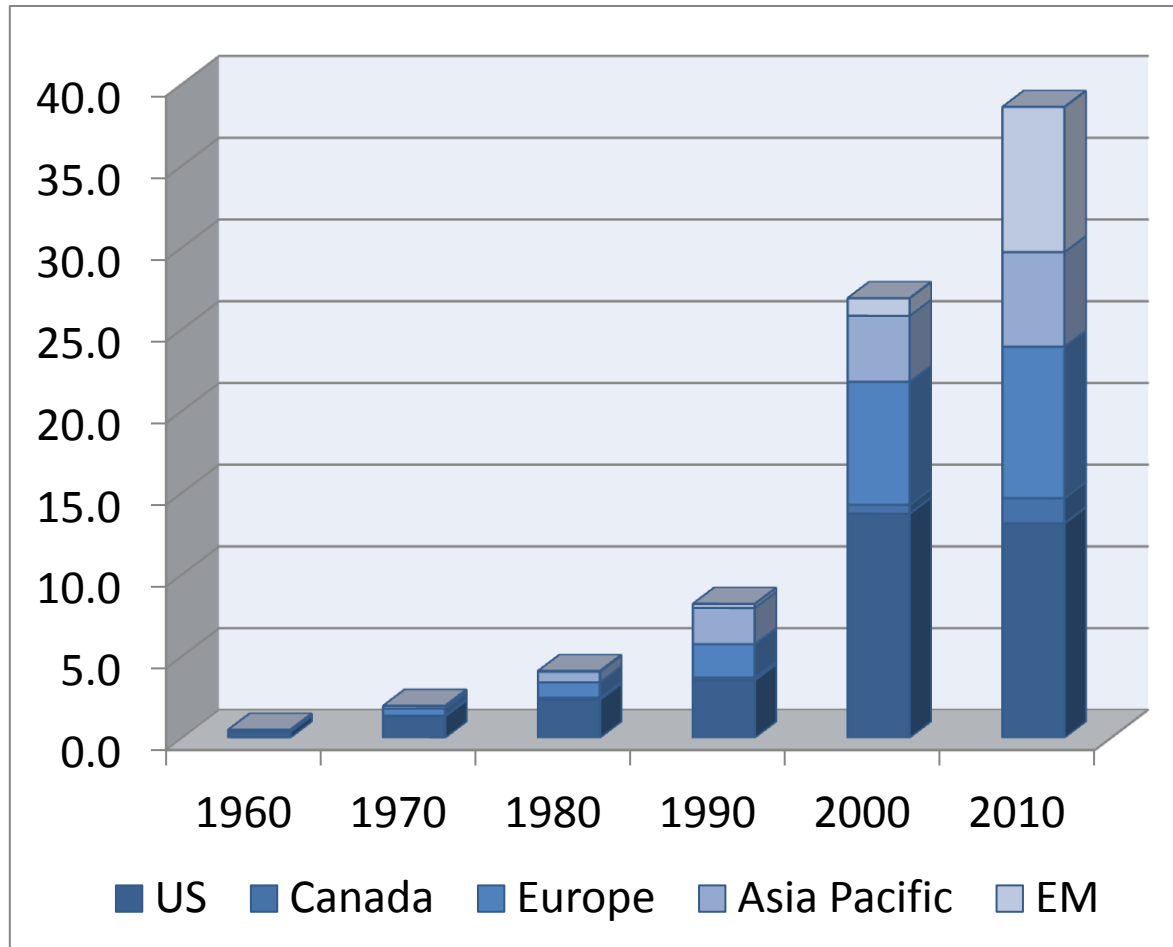
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# GROWTH OF THE WORLD STOCKS MARKETS



	1960	1980	2010
US	72.0%	57.0%	34.0%
Canada	3.0%	3.0%	4.0%
Europe	22.0%	23.0%	24.0%
Asia Pacific	3.0%	16.0%	15.0%
EM	0.1%	0.8%	23.0%
Trillion (\$)	0.5	4.1	38.6

The number of listed companies on global stock exchanges have doubled since 1989.

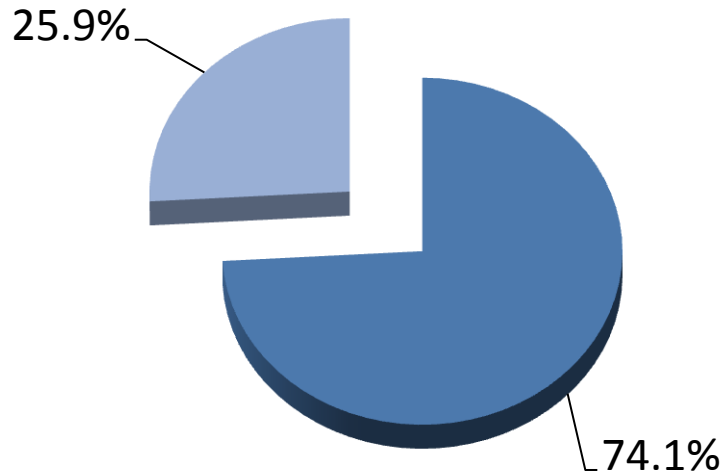
Source: World Federation of Exchanges , Focus Oct. 2010

# GROWTH OF THE WORLD DEVELOPING ECONOMIES

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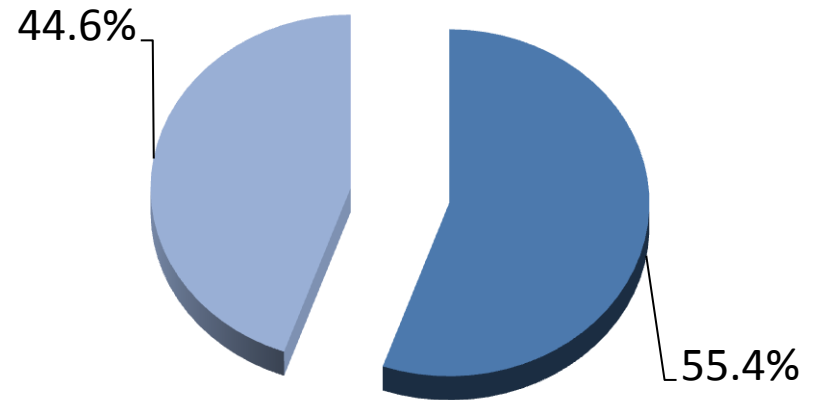
1990 GDP Wgts.

■ Developed ■ Emerging



2010 GDP Wgts.

■ Developed ■ Emerging



Source: IMF

# ECONOMIC EXPOSURE OF MSCI WORLD INDEX TO EMERGING MARKETS (%)

## BY COUNTRIES AND SECTORS

Country/Sector	Materials	Information Technology	Consumer Staples	Energy	Industrials	Consumer Discretionary	Health Care	Telecom	Financials	Utilities	Total
AUSTRIA	20			31				35	60	2	39
GREECE			58			0		30	42		36
SPAIN	28	5	22	47	11	19	16	47	43	12	35
UNITED KINGDOM	53	29	36	36	23	11	23	36	26	1	31
BELGIUM	25		37		52		17	9	18		31
FINLAND	24	58	8	16	38	20	15	1	3	18	30
HONG KONG		84			25	60		10	26	15	29
NETHERLANDS	34	67	32	50	28	13		3	13		28
SWITZERLAND	40		34	41	37	44	22	0	13		27
SWEDEN	14	39	12	17	37	10	17	44	15		26
SINGAPORE			75		28	25		0	23		26
IRELAND	27		31		11		17				25
GERMANY	29	22	33		32	26	28	6	11	14	23
DENMARK	30		38		29		23	5	2		23
NORWAY	32			19	14			41	8		22
FRANCE	32	13	27	31	26	26	9	17	11	11	22
PORTUGAL	70		55	0				10	25	11	21
USA	26	31	24	20	19	12	14	6	8	2	18
ITALY				34	22	27		12	7	8	18
CANADA	54	15	2	5	9	10	13	0	8	3	17
JAPAN	25	28	10	12	20	24	8	0	4	0	16
AUSTRALIA	45	11	2	23	9	1	17	3	2	0	16
ISRAEL	33	29			13		9	0	1		10
NEW ZEALAND	4				0	0		2		0	2
<b>Total</b>	<b>38</b>	<b>31</b>	<b>26</b>	<b>22</b>	<b>22</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>11</b>	<b>5</b>	<b>21</b>

Source: MSCI, Data as of December, 2011

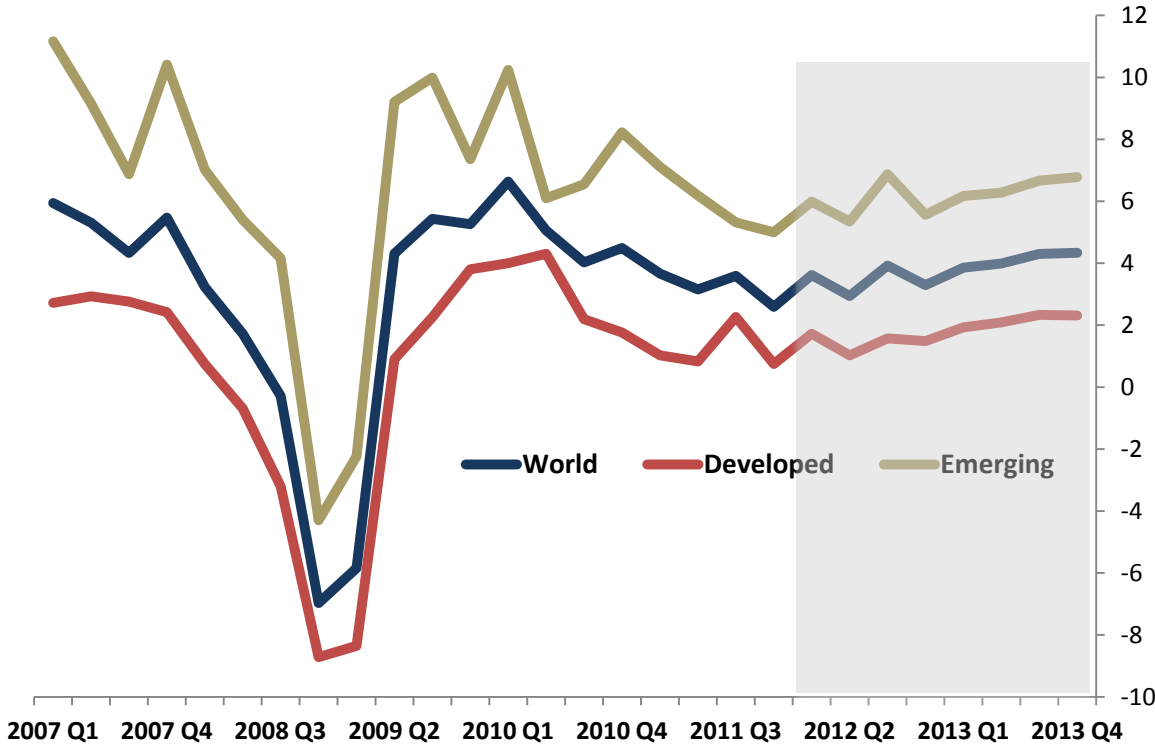
# EVOLUTION OF A MARKET: RAPID STOCK MARKET GROWTH AND INDUSTRY CHANGE

## CHINESE NAME COUNT AND MARKET CAPITALIZATION BY TWI INDUSTRY GROUPS

TWI Industry Groups	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Chinese Stables	7	5	4	4	3	3	4	8	15	17	21	21	20	35
Chinese Telecom/Utilities	1	2	2	4	5	8	8	11	12	12	12	11	11	11
Chinese Energy	1	1	1	1	4	4	4	4	4	5	6	7	7	8
Chinese Banking	0	0	0	1	0	0	0	0	2	4	5	5	5	8
Chinese Real Estate	2	2	2	2	4	4	4	4	6	10	14	13	13	22
Chinese Automobiles	3	4	4	4	3	2	3	5	5	7	7	7	7	5
Chinese Basic Goods	11	9	6	6	5	5	5	11	12	12	16	17	17	27
Chinese Cyclical	3	3	4	4	3	3	3	8	15	15	16	17	17	22
Chinese Transportation	3	4	6	6	8	8	8	11	14	14	15	14	14	10
Totals	31	30	29	32	35	37	39	62	85	96	112	112	111	148

TWI Industry Groups	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Chinese Stables	43%	18%	11%	8%	4%	4%	4%	11%	9%	10%	12%	12%	14%	14%
Chinese Telecom/Utilities	2%	55%	73%	76%	52%	48%	37%	33%	25%	18%	20%	20%	13%	11%
Chinese Energy	3%	1%	0%	0%	31%	36%	47%	38%	34%	24%	22%	20%	19%	18%
Chinese Banking	0%	0%	0%	1%	0%	0%	0%	0%	14%	34%	24%	31%	33%	32%
Chinese Real Estate	14%	7%	4%	3%	3%	2%	1%	1%	2%	3%	4%	3%	4%	4%
Chinese Automobiles	7%	4%	2%	1%	1%	0%	1%	1%	1%	1%	1%	0%	1%	1%
Chinese Basic Goods	17%	8%	5%	3%	2%	2%	3%	7%	7%	6%	10%	9%	10%	10%
Chinese Cyclical	7%	3%	1%	5%	4%	3%	2%	3%	5%	3%	3%	3%	4%	6%
Chinese Transportation	7%	4%	4%	4%	4%	5%	4%	5%	4%	2%	4%	2%	3%	3%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

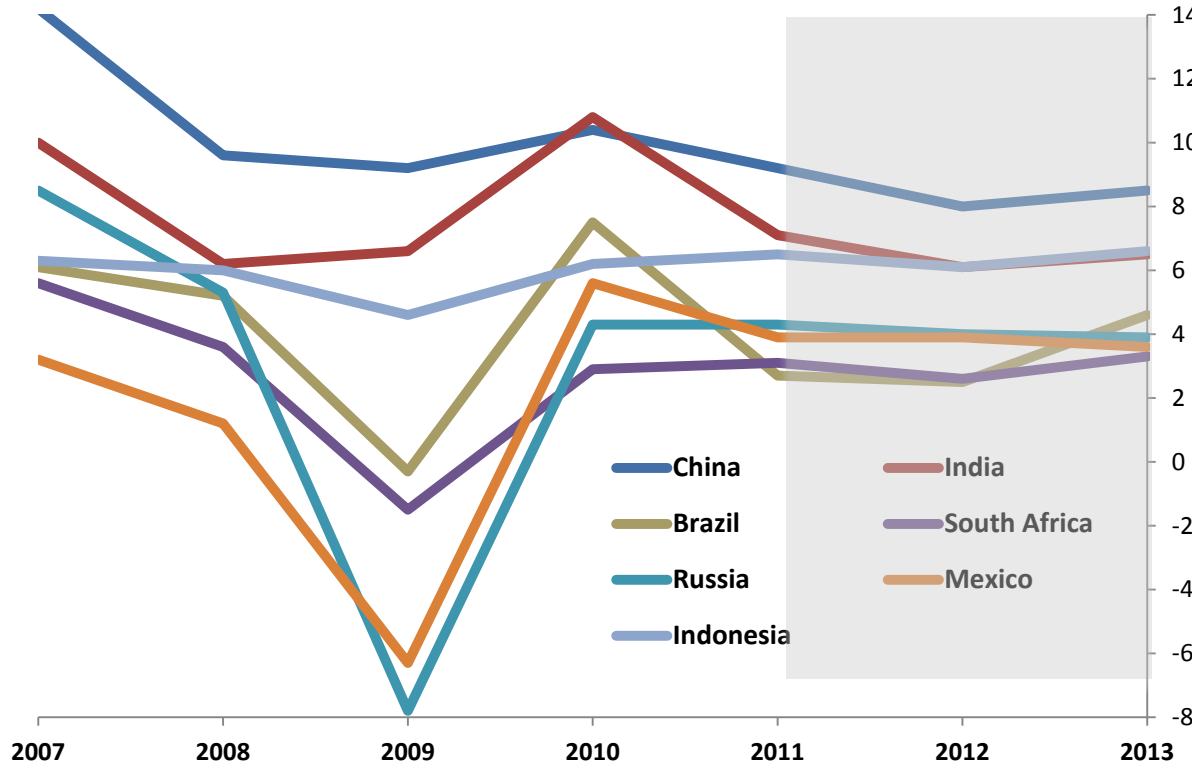
# CURRENT GLOBAL GROWTH STABILIZING



Source: IMF Quarter on quarter percentage change

- 2009 recovery pace was too swift to be sustainable
- Both developed and emerging economies settling to more sustainable levels of growth
- Major Risks:  
European fiscal crisis and the possibility of early withdrawal of monetary stimulus in developed countries

# EMERGING MARKET GDP GROWTH

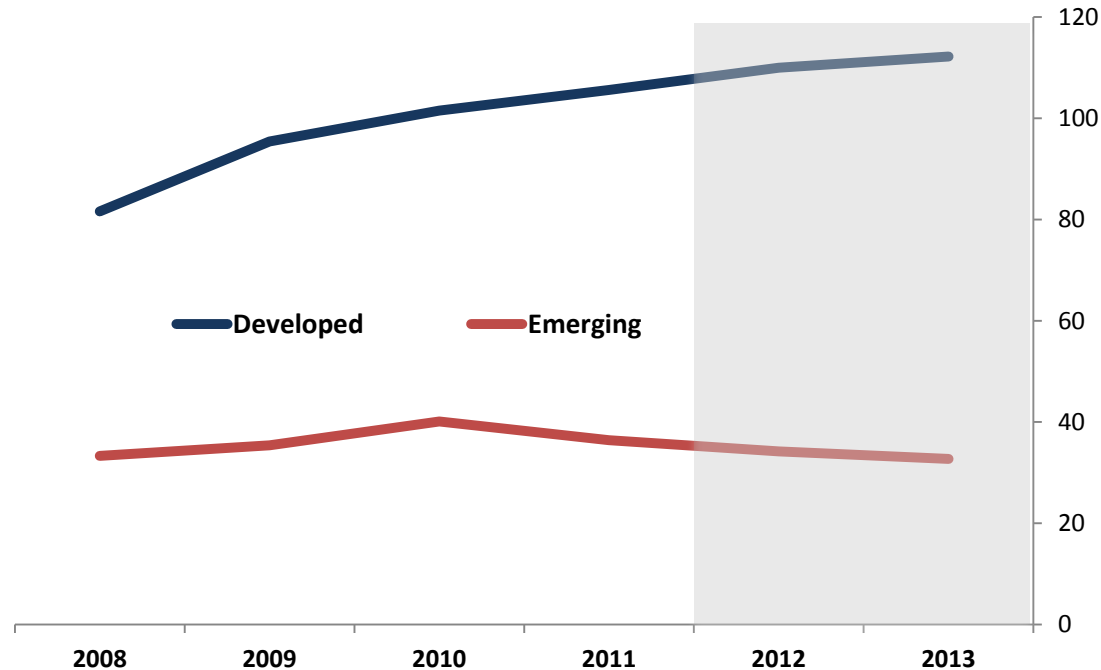


Source: IMF Quarter on quarter percentage change

- China transitioning to growth driven by domestic consumption
- India has moderated to more sustainable levels
- Brazil worst hit – lower global materials demand and domestic consumption
- Russia and South Africa have stabilized, but vulnerable to commodity price swings
- Indonesia – Remarkably consistent growth
- Mexico benefiting from near shoring and rising Chinese labor costs



# HIGH GOVERNMENT DEBT REMAINS MAJOR MEDIUM-TERM RISK

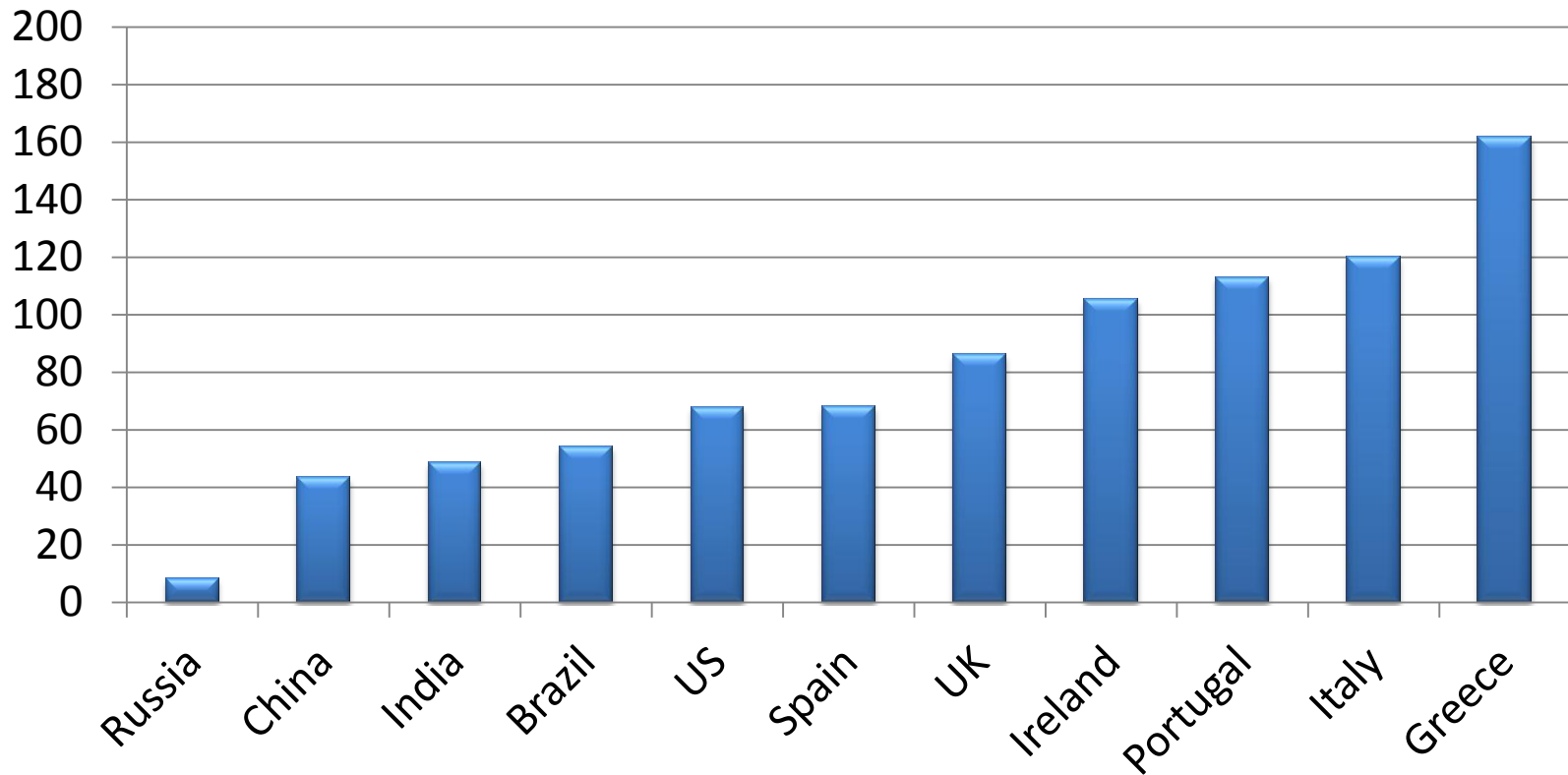


Government debt as percentage of GDP

Source: IMF

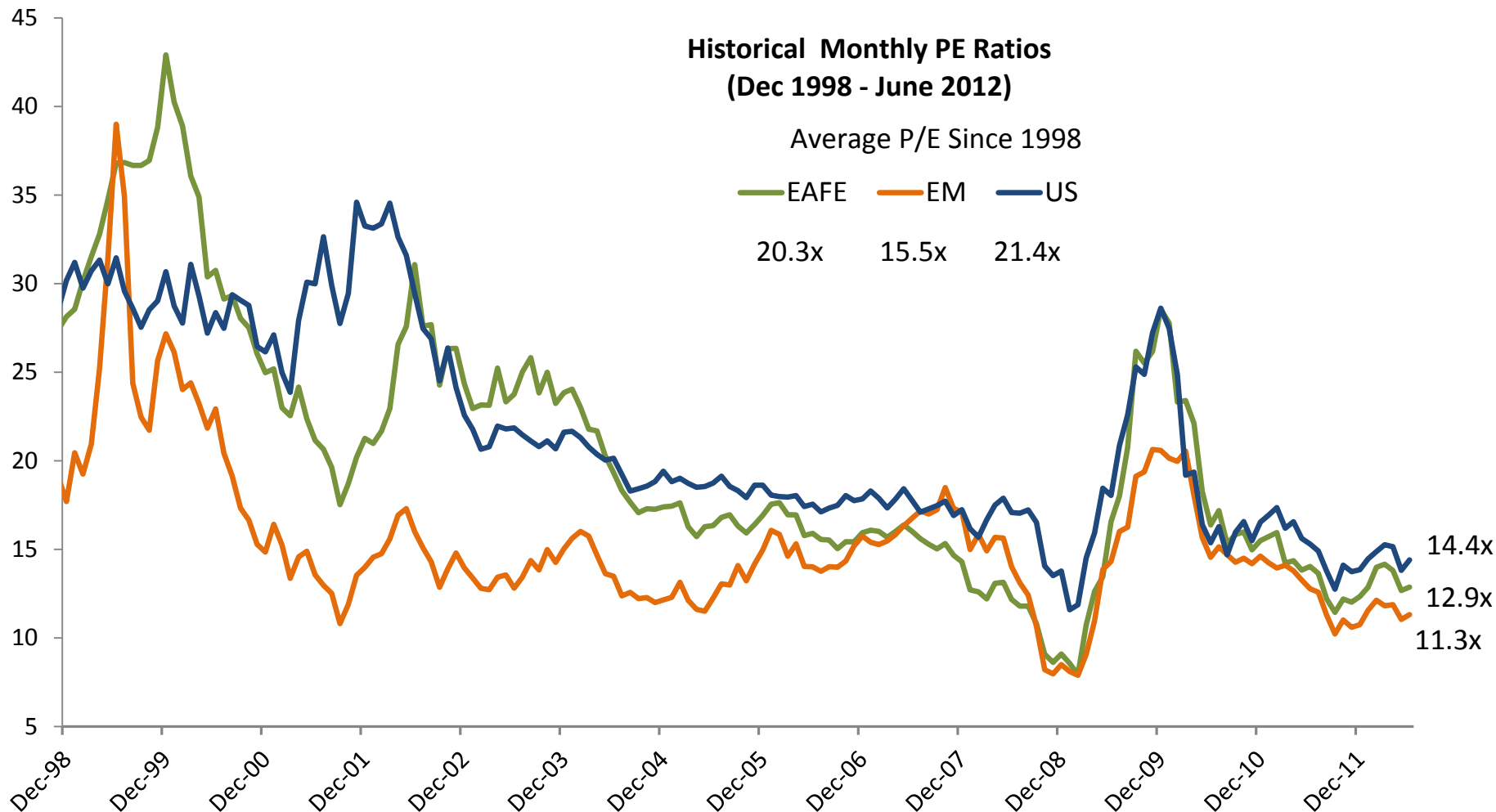
- Debt levels in developed countries set to rise even further
- Will limit government spending on infrastructure and defense
- Emerging market debt levels may decline below pre-crisis levels by 2013

# PUBLIC DEBT AS A % OF GDP



Source: CIA World Factbook as of September 5, 2012. Data is 2011 estimates.

# MARKET P/E VALUATIONS REMAIN ATTRACTIVE



Source: MSCI Trailing P/E Ratios

# DO EMERGING MARKETS STILL PROVIDE GOOD OPPORTUNITIES?

## FURTHER QUESTIONS TO ASK:

- What are the risk/reward opportunities in Global Emerging Markets today?
- Is there a disconnect between the global economic slowdown and EM companies?
- Are Emerging Markets represented in your portfolio?
  - Do I get exposure directly or indirectly.
- Should I allocate to Frontier Markets?  
(147 companies represent less than 3% of EM + Frontier index)

### Frontier Markets

Americas	Europe & CIS	Africa	Middle East	Asia
Argentina	Bosnia Herzegovina <sup>1</sup>	Botswana <sup>1</sup>	Bahrain	Bangladesh
Jamaica <sup>1</sup>	Bulgaria	Ghana <sup>1</sup>	Jordan	Pakistan
Trinidad & Tobago <sup>1</sup>	Croatia	Kenya	Kuwait	Sri Lanka
	Estonia	Mauritius	Lebanon	Vietnam
	Lithuania	Nigeria	Oman	
	Kazakhstan	Tunisia	Qatar	
	Romania	Zimbabwe <sup>1</sup>	Saudi Arabia <sup>2</sup>	
	Serbia		United Arab Emirates	
	Slovenia			
	Ukraine			

<sup>1</sup> The MSCI Bosnia Herzegovina Index, the MSCI Botswana Index, the MSCI Ghana Index, the MSCI Jamaica Index, the MSCI Trinidad & Tobago and the MSCI Zimbabwe Index are currently stand-alone country indices and are not included in the MSCI Frontier Markets Index. The addition of these country indices to the MSCI Frontier Markets Index is under consideration.

<sup>2</sup> The MSCI Saudi Arabia Index is currently not included in the MSCI Frontier Markets Index but is part of the MSCI Gulf Cooperation Council (GCC) Countries Index.

# THOMAS WHITE INTERNATIONAL, LTD.



**Douglas M. Jackman, CFA**  
Executive Vice President

Doug Jackman is an Executive Vice President of Thomas White International, Ltd. which he joined in 1995. He is a member of the Thomas White Investment Committee and Director of the Institutional Client area.

Mr. Jackman joined the firm after graduating from the MBA program at the University of Chicago with a major in Finance and Accounting. Earlier, he worked with Morgan Stanley in New York developing equity and FX trading systems. He has a BA degree from the University of Chicago where he served as a research assistant at the Center for Research in Security Prices.

## Organization

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While at Morgan Stanley, Tom developed a close working relationship with Sir John Templeton, who was Thomas White International's first research customer. John Galbraith, Sir John's business partner, remains the firm's largest individual client to this day. Our analysts in the U.S. and Asia use proprietary, time-tested methods to cover more than 5000 global equities in nearly 45 world-wide markets. In a changing, ever-shifting world, we firmly believe that the essential principle of value investing remains sacrosanct.