

Investing in BRIC or emerging markets?

The new frontier may hold greater rewards

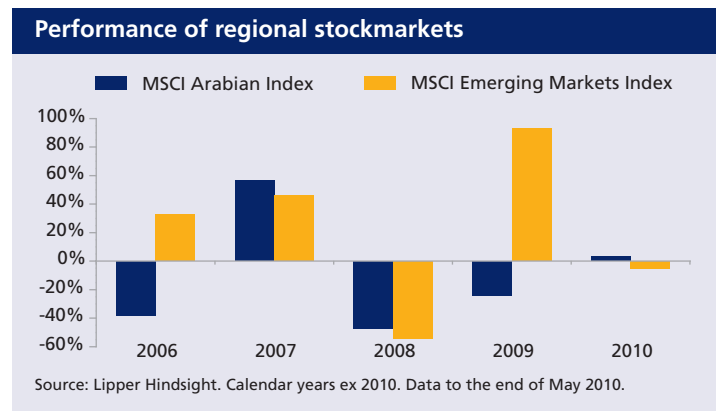
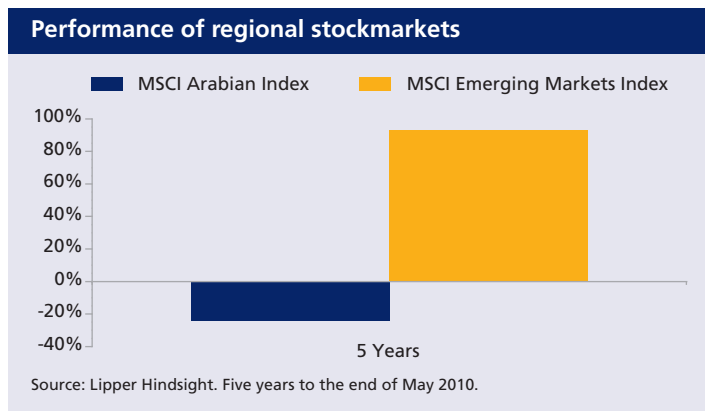
After years of the developed world being the stockmarket engine room, it seems emerging markets, led by the BRIC economies – Brazil, Russia, India and China – have now taken pole position. However, following significant rallies from mainstream emerging markets over the past decade it may now be time to look further afield.

Frontier markets, in particular the Middle East and North Africa (“MENA”) region, may offer the next generation of growth. Moreover, after years of underperformance, current market lows look like a strong entry point for the market – either for long-term lump sum, or regular premium, investors.

MENA markets are a great structural and tactical investment opportunity

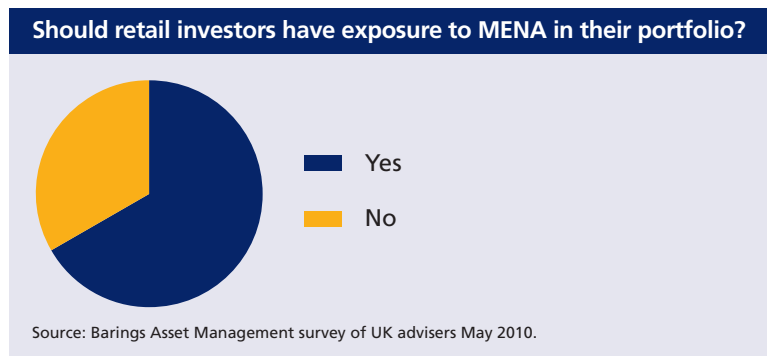
1. One of the few emerging markets still offering value

The recovery in MENA equity markets has lagged mainstream emerging markets meaning more value is on offer. Institutional investors are focusing more on MENA given the investment opportunity.



2. Asset allocators like emerging markets

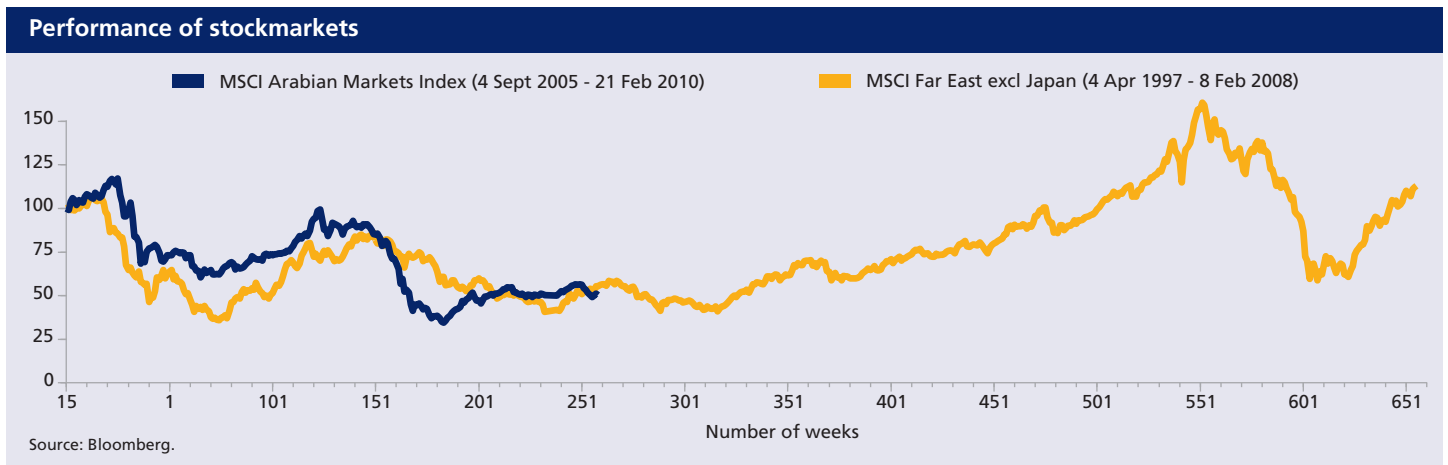
On a medium-term view, commodity-rich frontier markets offer investors some of the best opportunities for growth and, more importantly, returns. Sentiment towards global emerging market equities also remains positive, with a net 31% of investors overweight, up from 19% in May 2010¹. A recent survey showed financial advisers should be allocating to MENA equities. Equally, it is clear that general risk aversion has so far prevented people from investing. We believe that this “out of favour” view may change and represents a considerable opportunity.



¹ Bank of America Merrill Lynch Fund Manager Survey June 2010.

3. Recovery similar to Asian crisis experience

We believe that the recent sell-off displays strong parallels with the Asia crisis in the late 90's. Investors who saw this opportunity have been well rewarded. We believe that same opportunity set exists now.



4. Compelling valuations compared to emerging market cousins

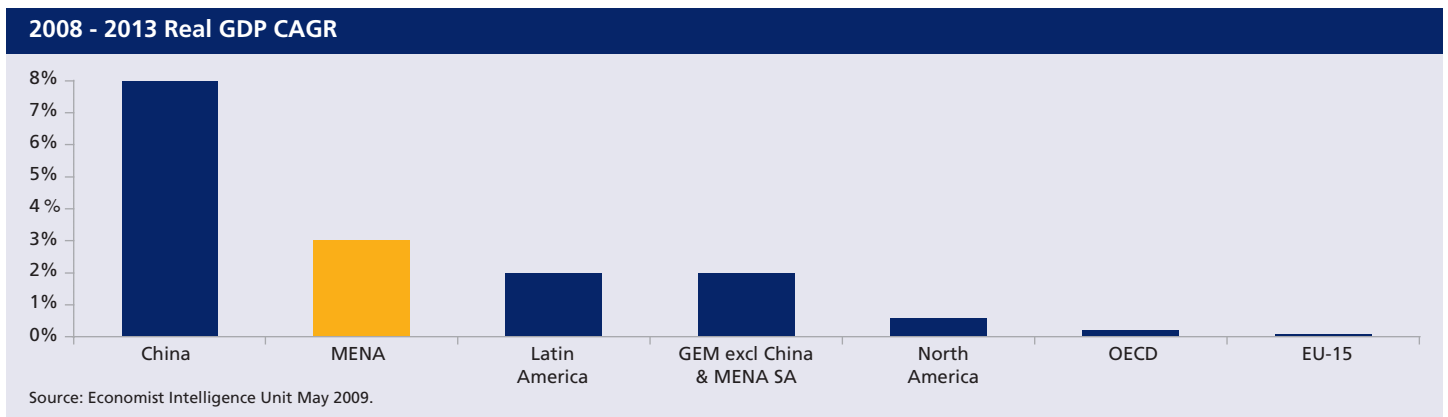
Looking at valuation of the MENA region it offers similar valuations to global emerging markets (GEMs).

Country	2010 P/E Ratio	Country	Price to book
Global Emerging Market	11.1	Global Emerging Market	1.7
UAE	6.6	UAE	0.9
Saudi Arabia	11.5	Saudi Arabia	2.3
Egypt	10.3	Egypt	1.9
Qatar	8.9	Qatar	2.1

Source: MENA country estimates from Emirates NBD Asset Management. Global emerging market estimates from Bloomberg.

5. Matching BRIC in growth of economic power

Forecasts on the shift in economic power suggest that the GCC will grow at a similar pace to Russia and Brazil.² The International Monetary Fund forecasts over 4% economic growth for the MENA region in 2010 which should underpin stock market returns. Most developed nations will produce half this growth. Indeed, Goldman Sachs estimates that, over the five years to 2012, MENA will be the second best performing economic region in the world. The MENA region including South Asia is expected to become the second largest economy, overtaking North America, by 2050.³



² Source: The Economist Intelligence Unit Limited 2009

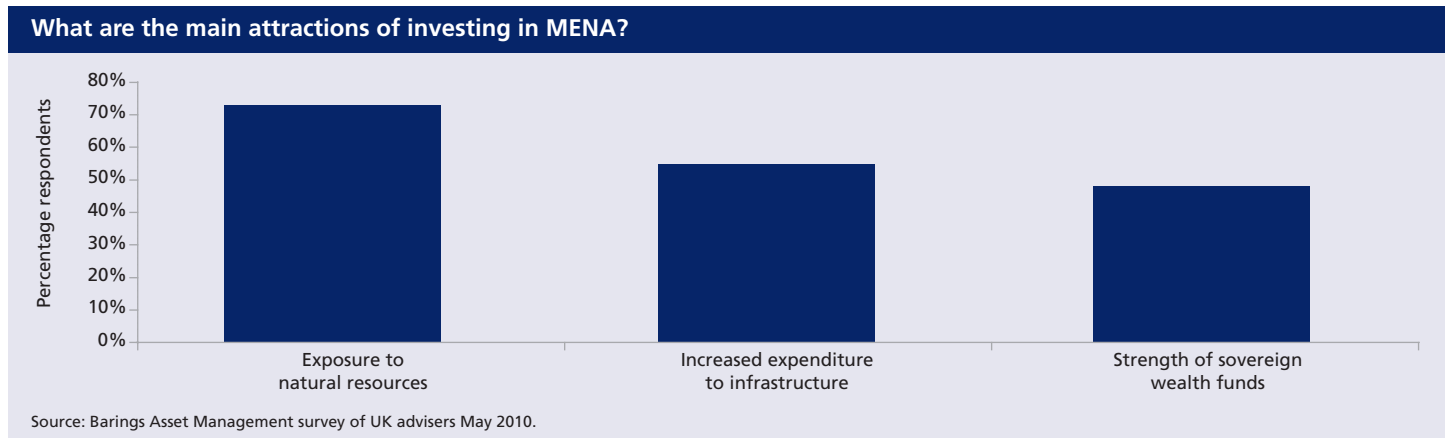
³ Goldman Sachs (Nov 2008). Note: Middle East includes GCC states, Jordan, Lebanon & Turkey. North Africa includes Egypt, Libya, Algeria, Morocco, & Tunisia. South Asia includes India & Pakistan.

6. MENA should be a greater allocation

MENA accounts for 6% of emerging markets GDP and market capitalisation, but commands only a 1% weighting in the MSCI Emerging Markets index. Benchmarks drive the strategic asset allocation for many investors - but the benchmark weighting approach misses the bigger story and investment opportunity in MENA. Rewards may well be strong for those investors prepared to go away from current index weightings. In addition, MENA countries such as Qatar and UAE are actively being considered for inclusion into the MSCI Emerging Markets index in the future.

7. Main MENA attraction according to advisers

A survey of advisers has shown that oil wealth, infrastructure investment, and large sovereign wealth funds are primary reasons to invest in the MENA region.



8. MENA markets are the next generation

As developed markets prove slower to recover from the 2008 crisis, and the newborn economic powerhouses mature, so MENA looks set to capture investors' attention. Investors can access this opportunity by investing with a regional specialist. Emirates NBD Asset Management ("Emirates NBD AM") was voted the Asset Management Firm of the Year – 2009 and runs a range of MENA focused equity funds, including:

- > Emirates MENA Top Companies – A fund looking for long-term capital growth investing in some of the top companies across the MENA region;
- > Emirates MENA High Income – A fund looking for capital growth and high levels of income by investing in high dividend stocks and bonds from the MENA region; and
- > Emirates MENA Opportunities – A Shari'a compliant fund investing in growth assets in the MENA region covering equities, sukuk, murabaha, real estate and other applicable assets.

All three funds have excellent long-term track records and are available through the public fund platform of Emirates NBD in Jersey, Channel Islands. They are eligible for most PPBs and some are available through certain "mirror" fund links with life platforms.

For more information please contact Emirates NBD Asset Management on 04 509 3005.

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