

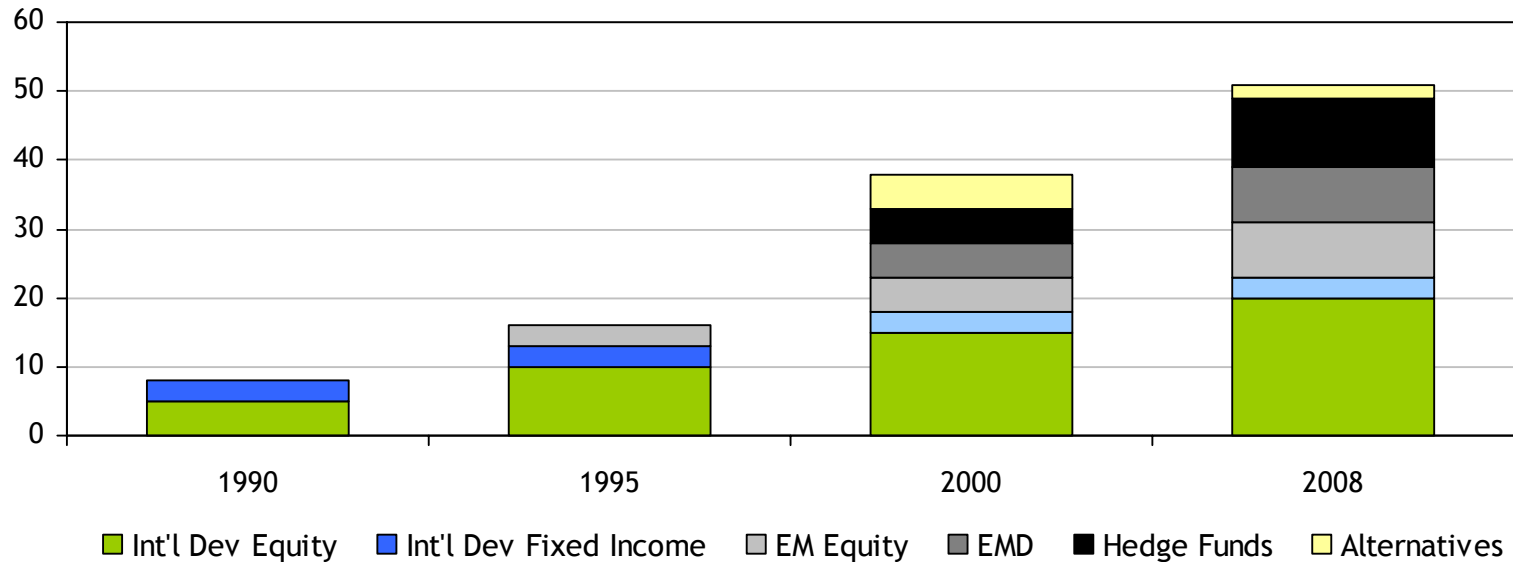


GEMLOC Advisory Services Roundtable

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Emerging Markets are Now the “New Core Asset Class”



EM Exposure	Sub-allocation within Int'l EQ	EM EQ, EMD - sub-asset class to EM EQ infrastructure	EMD, EQ Derivatives, Distressed Debt	All asset classes, including domestic equity and debt

- With “Safe Haven” status comes new challenges

Investors Now Need

- Geography lessons on regions, countries, and languages
- Allocations spanning all asset classes in emerging markets and focused on individual plan objectives but with diversification still the key objective
- Local and regional managers, along with global names
- Ability to compare risk and return in all bond asset classes from mortgage-backed securities in dollars to local currency emerging market debt (not as easy as it used to be)
- Ability to compare risk and return without home domicile bias in currency

Investors Also Need More Help From Finance Ministries

- For investors, further study and regular communication are required
 - ▶ To understand the dynamics of food inflation, monetary policy, and GNP growth as it relates to individual countries not asset classes
 - ▶ To understand policy constraints on investments from bond or equity perspective and overall objectives for development of markets and offshore vehicles
 - ▶ To understand liquidity and custodial issues in local currencies
 - ▶ To understand opportunities for PPP or other cooperation in investment strategies
 - ▶ To understand role of multilaterals such as the World Bank, IFC, OPIC, and to work with their expertise
- This need is underscored because the institutional investor is beginning to make the country allocation decisions, not the money manager