

Emerging Market Corporate Debt

Niagara Institutional Dialogue

June 11, 2013

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Aberdeen Asset Management Inc.

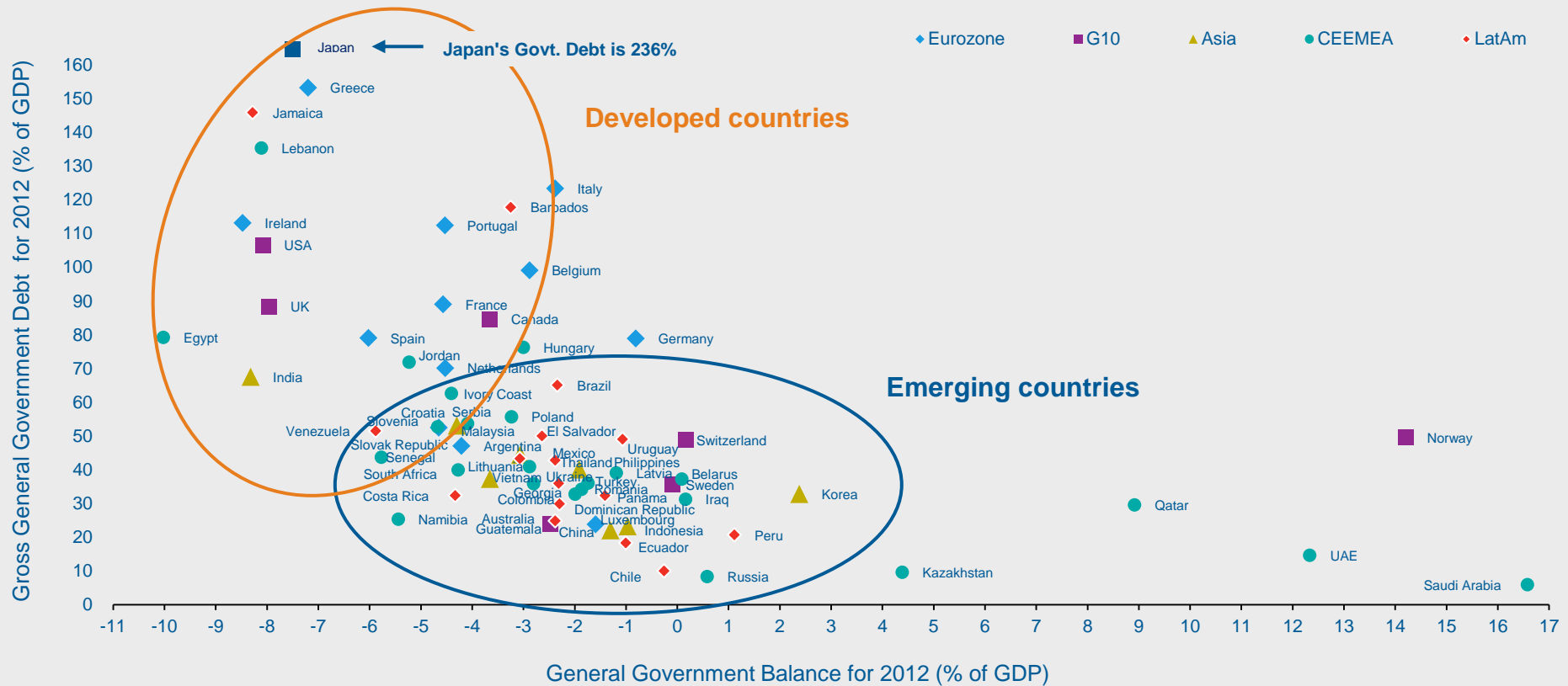
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EM economies have considerably lower debt levels ...

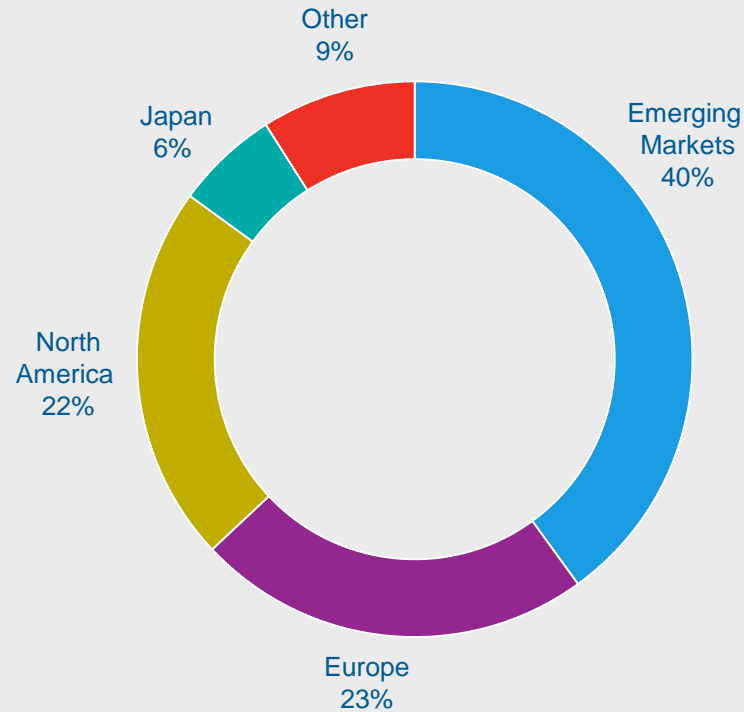
General Government Debt (% GDP) vs Government Balance (% GDP)



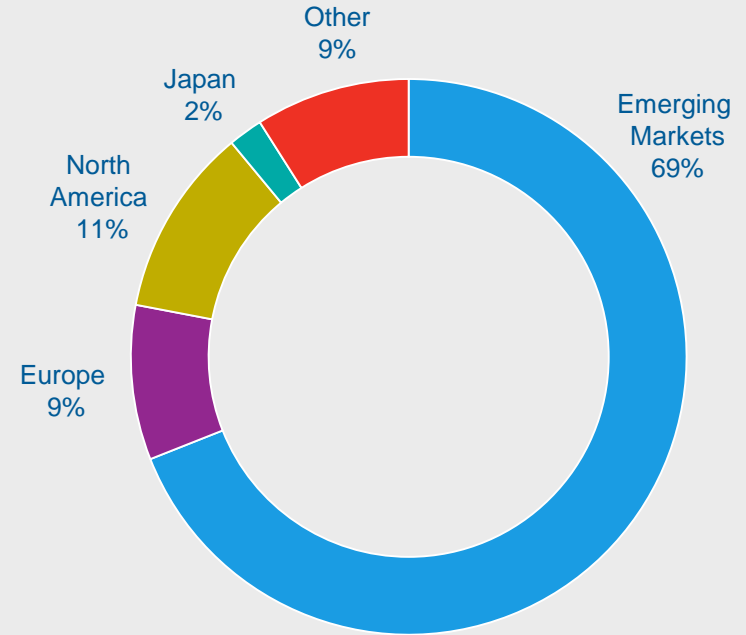
Source: IMF, World Economic Outlook Database, May 12
For illustrative purposes only.

EMD countries are projected to be the main drivers of future growth

2010



2050f



Source: Citi Mar 11; GDP measured in 2010 PPP USD. For illustrative purposes only

Note: Data does not exist for all countries over all time periods.

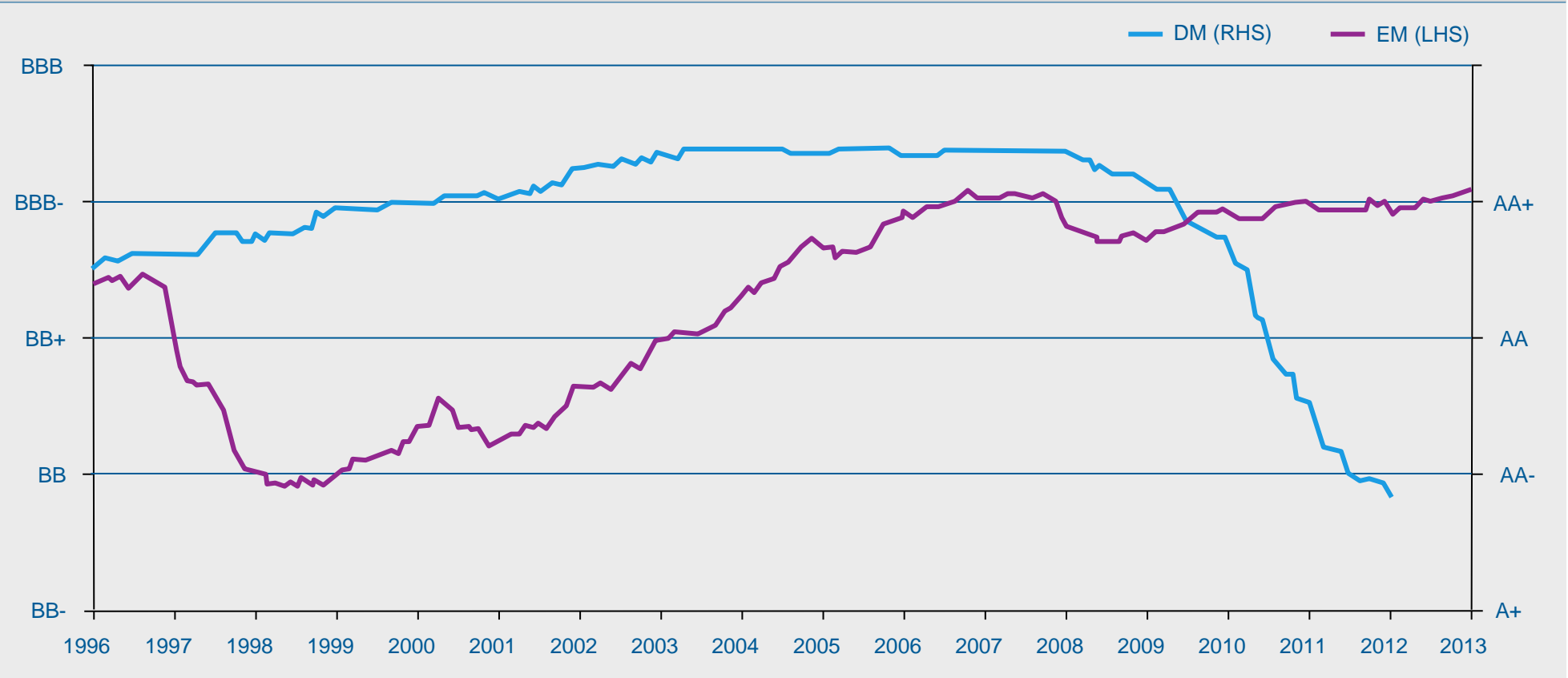
This data includes only countries where data is available for each year. GDP is measured at market exchange rates and not purchasing price parity

Forecasts are offered as opinion and are not reflective of potential performance, are not guaranteed and actual events or results may differ materially.

With a growing, financially independent, aspirational middle class

Credit ratings will continue to diverge

Average credit rating of Developed markets vs Emerging Markets



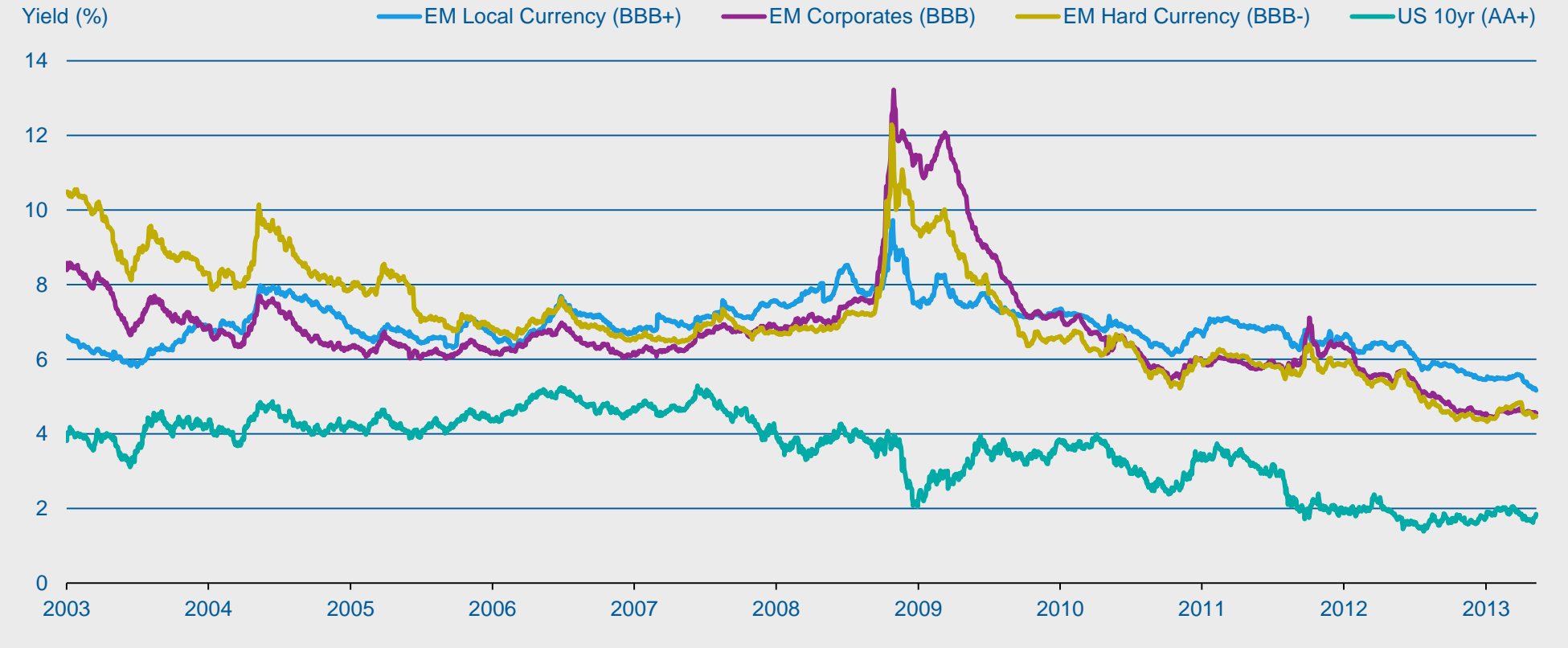
Source: Morgan Stanley, Fitch, Moody's, Standard & Poor's, 31 Mar 13. For illustrative purposes only
Moody's is an independent, unaffiliated research company that rates fixed income securities.

Moody's assigns ratings on the basis of risk and the borrower's ability to make interest payments. Typically securities are assigned a rating from 'Aaa' to 'C', with 'Aaa' being the highest quality and 'C' the lowest quality. Fitch is an international credit rating agency. Fitch ratings range from AAA (reliable and stable) to D (high risk). Standard & Poor's credit ratings are expressed as letter grades that range from "AAA" to "D" to communicate the agency's opinion of relative level of credit risk. Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. The investment grade category is a rating from AAA to BBB-. Forecasts are offered as opinion and are not reflective of potential performance, are not guaranteed and actual events or results may differ materially.

This trend is expected to continue

EMD yields continue to stand out

EM external, domestic and corporate indices are all investment grade



Source: JP Morgan, S&P, Bloomberg, May 13

EM Local currency index: JPM GBI-EM GD, EM Hard currency index: JPM EMBI GD, EM Corporate index: JPM CEMBI BD, US IG Corporates index: JPM JULI index

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Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. Individuals cannot invest directly in an index

Risk and return data support the case for EMD

10 years benchmark risk and returns

Benchmark annualised returns USD (%)



Source: JP Morgan. All figures were correct at the close of business on 31 Dec 12. **Past performance is not indicative of future results.**

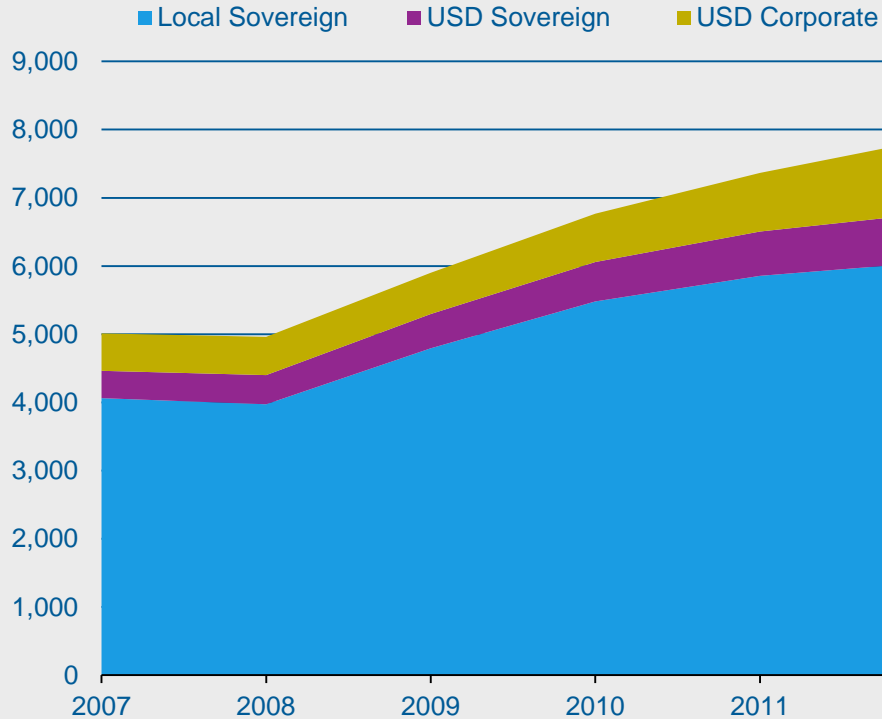
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Benchmarks used: US Treasury, US IG Corporate = JULI, US Equities = S&P 500, EM Corporate = CEMBI Broad, US High Yield = JPM US HY, EM HC Sovereign = EMBIG, EM LC Sovereign = GBI-EM GD, EM Equities = EM Free.

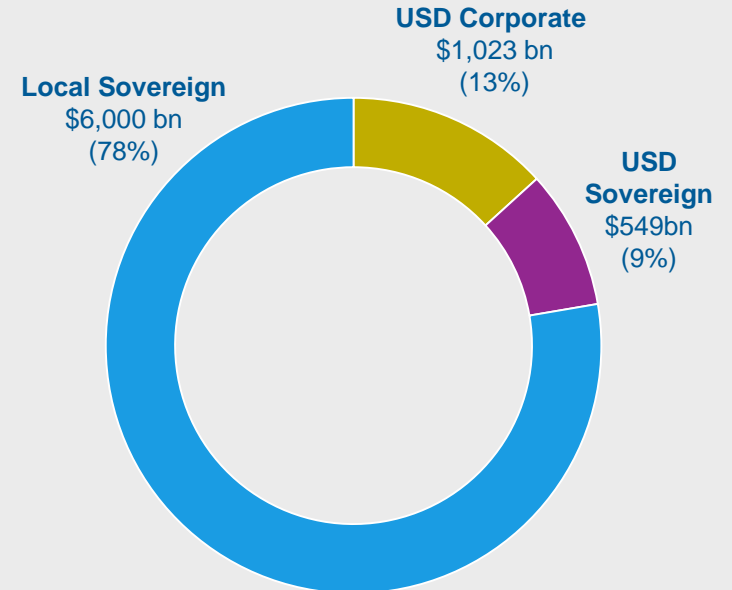
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The EMD universe has grown rapidly ...

Total EMD market: USD 7.7trn



Size of the EMD market by investment type



- EMD local debt is more than three times the value of external debt

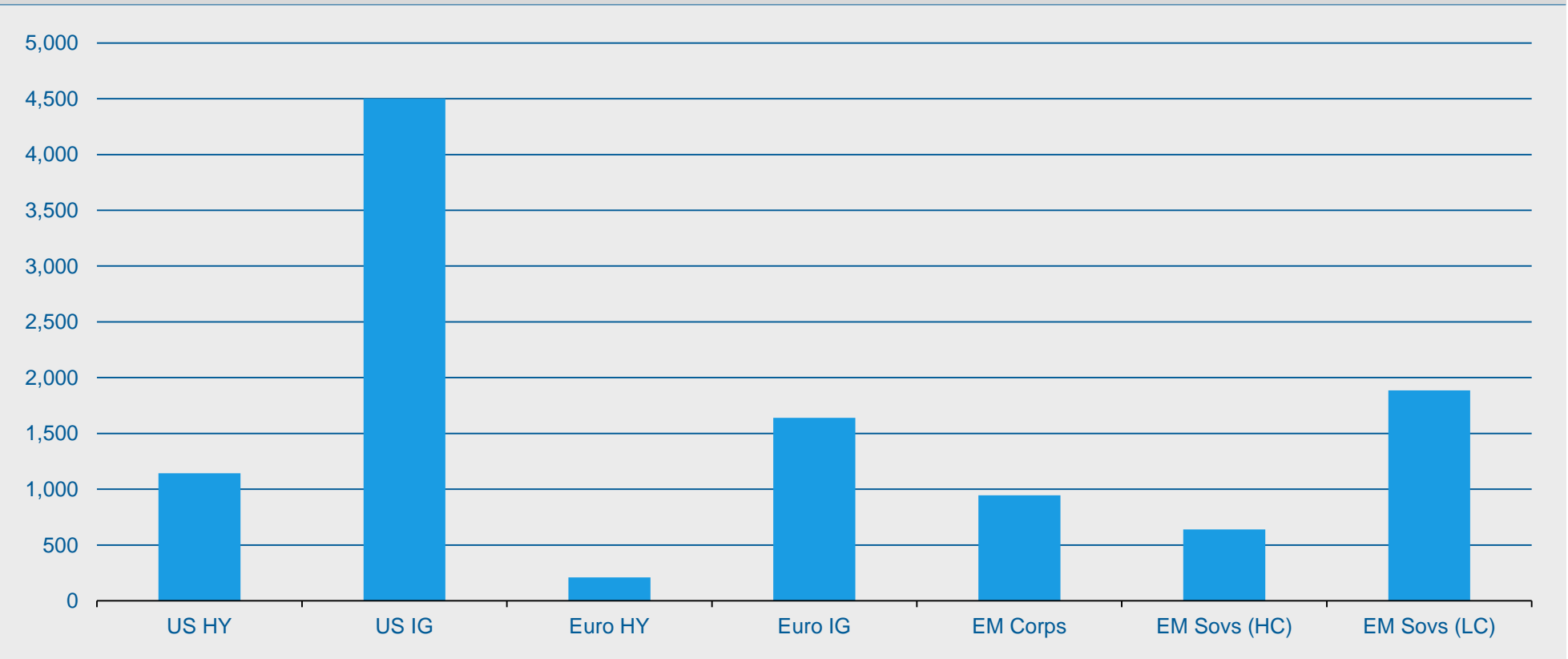
Source: BIS, Bondradar, JP Morgan, Sep 12

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How big is the asset class?

Relative size of markets

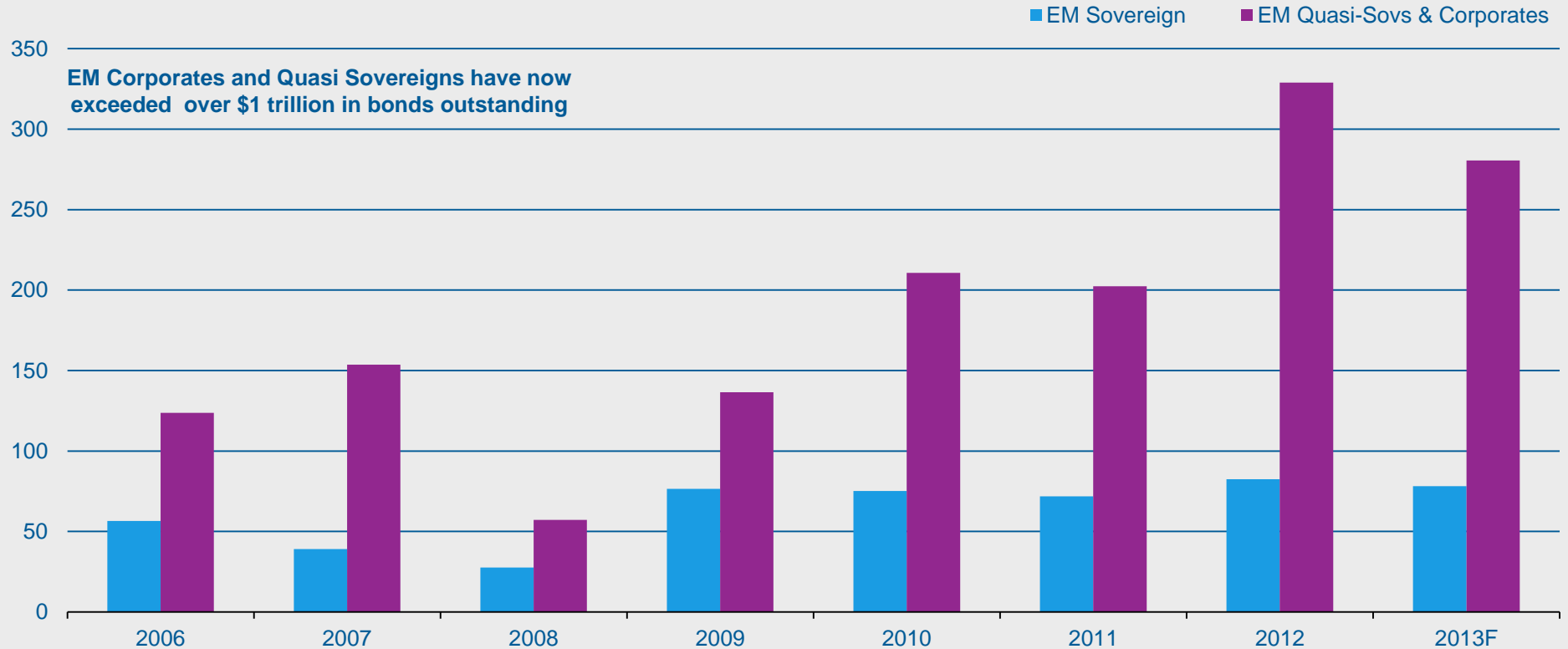


Source: Merrill Lynch, as at 31 Dec 12. For illustrative purposes only
US HY: ML US High Yield Master II Index, US IG: ML US Corporate Master Index, Euro HY: ML Euro High Yield Index,
Euro IG: ML EMU Financial Corporate Pfandbrief Index, EM Corps: ML Emerging Market Corporate Plus Index, EM
Sovs (HC): Emerging Market External Debt Index, EM Sovs (LC): ML Local Debt Markets Plus

**EM corporate universe now comparable to
US HY and larger than EM HC sovereigns**

Corporate issuance continues to outpace sovereigns

Total external issuance (USD bn)



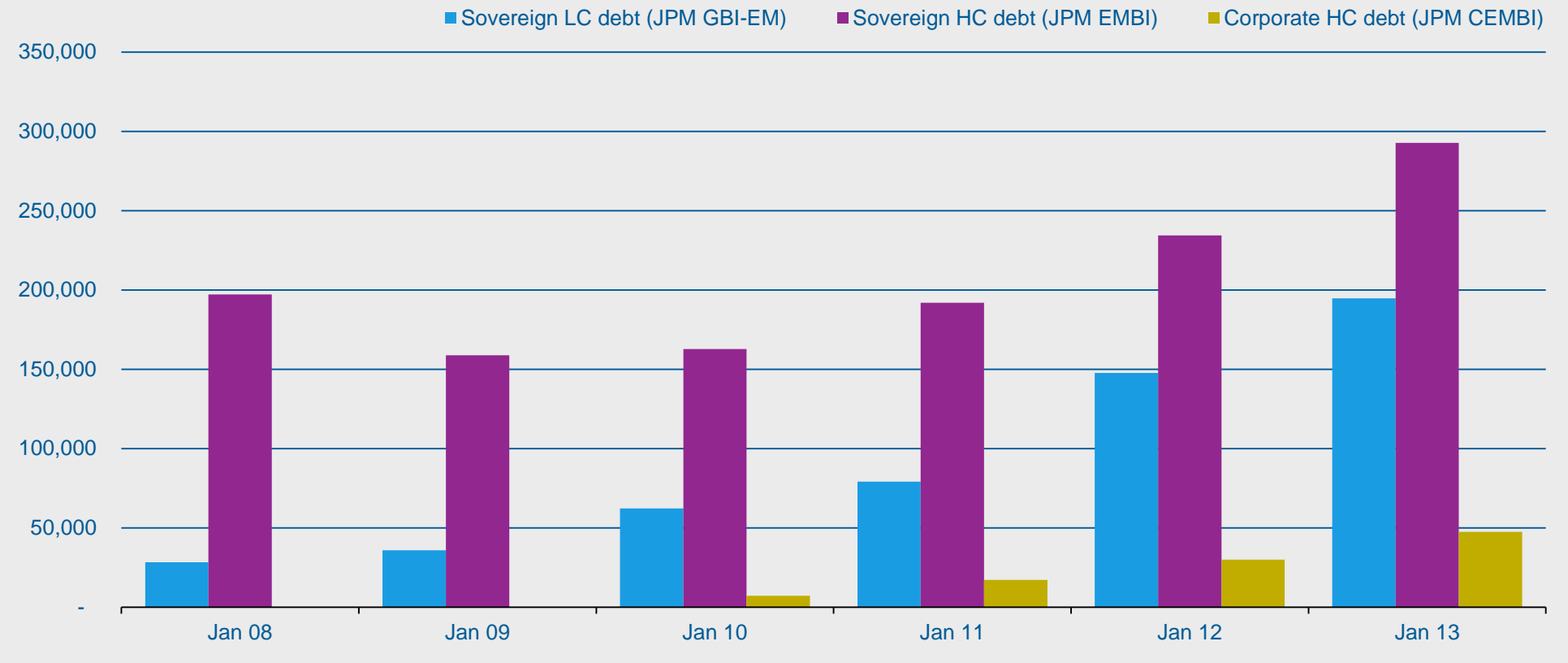
Source: JP Morgan, Jan 13

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Growing dedicated investor base

AuM benchmarked to EM Indices (US\$ million)



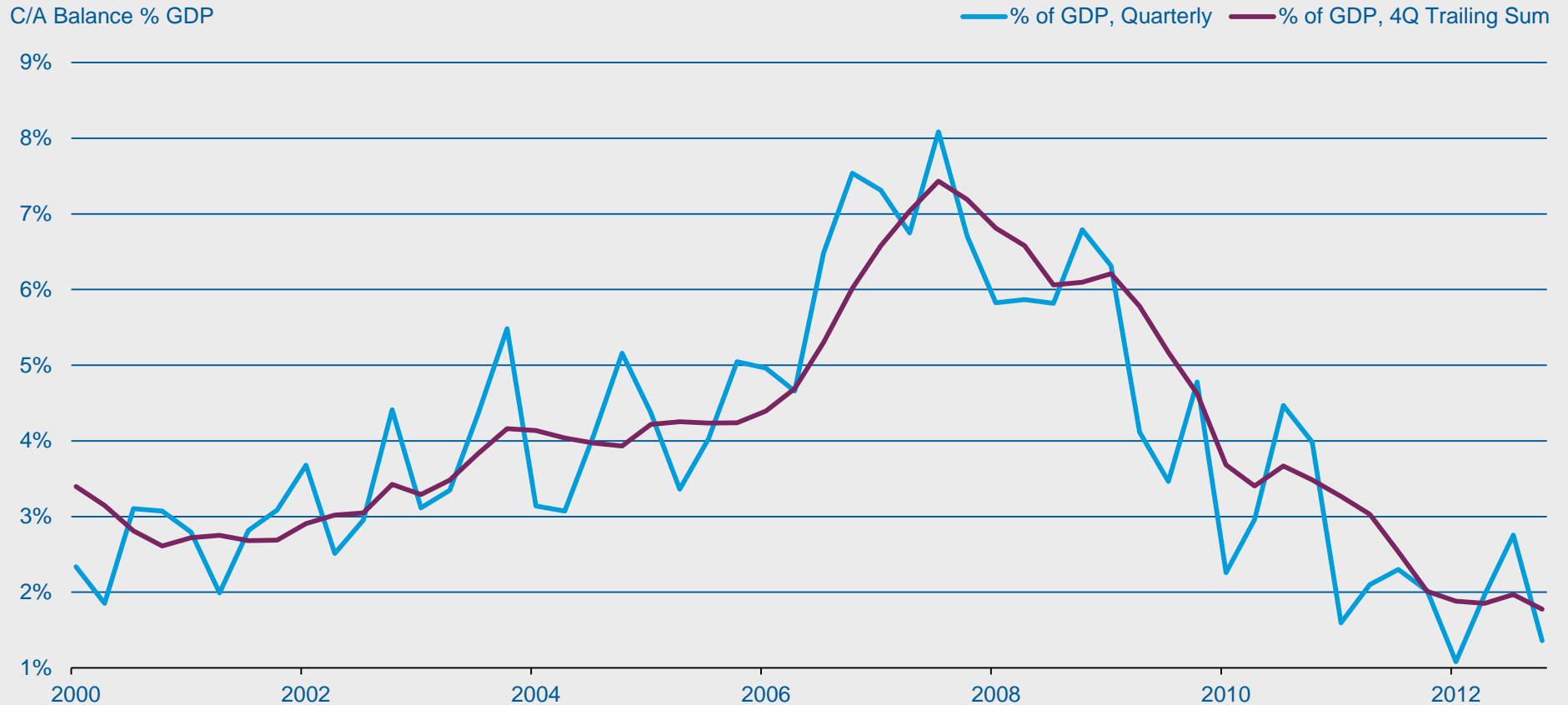
Source: JP Morgan, Jan 13

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The case of Asia - end of excess saving

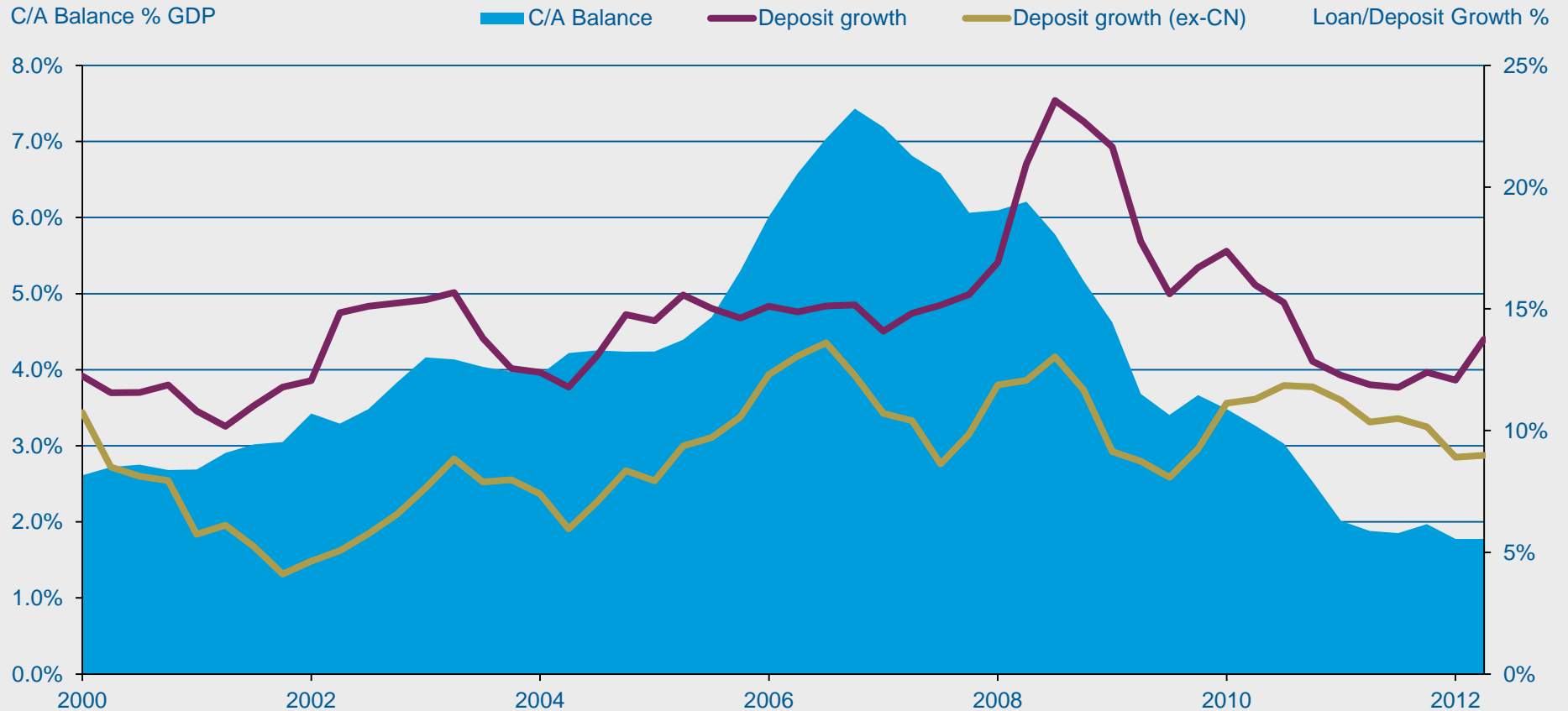
Asia ex-Japan's current account balance



Source: Morgan Stanley Research, CEIC, May 13
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Deposit generation by banks slowing down

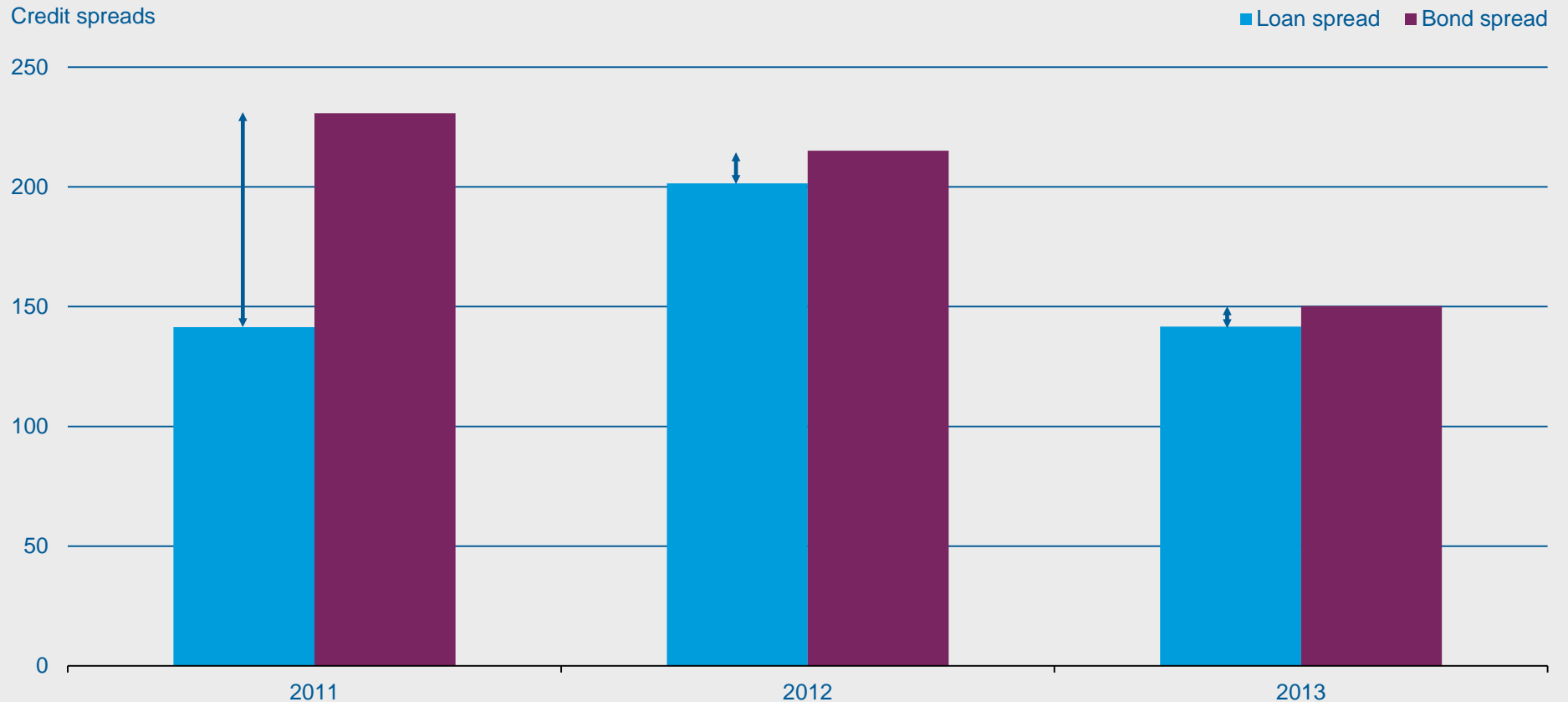
Current account balance and deposit growth



Source: Morgan Stanley Research, CEIC, May 13
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Convergence of borrowing costs

Investment grade corporate debt funding spreads in bond and syndicated loan markets (USD)



Source: Morgan Stanley Research, CEIC, May 13

Note: Reflects a sample of the same IG issuers' cost of debt in bond and loan markets at different points in time.

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What is the potential?

Asian USD corporate bond universe, total AXJ corporate debt

USD bn

14,000

12,000

10,000

8,000

6,000

4,000

2,000

0

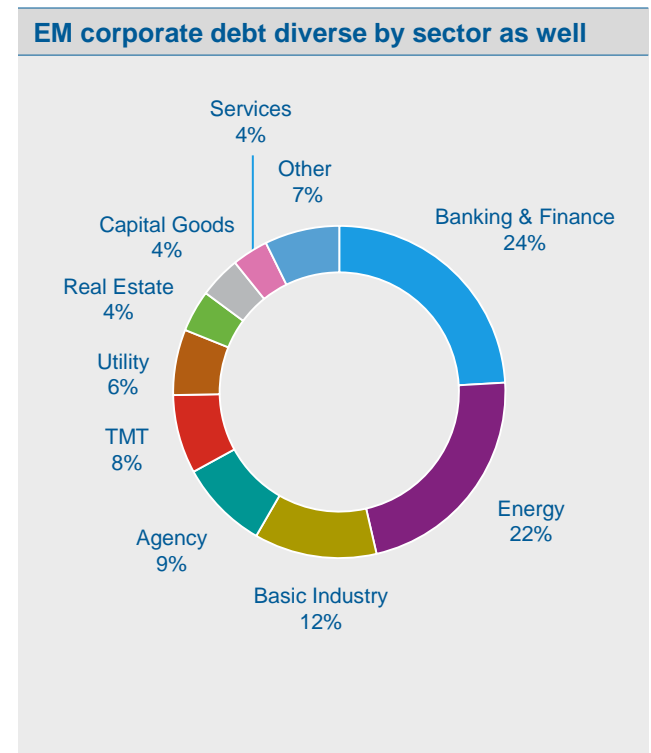
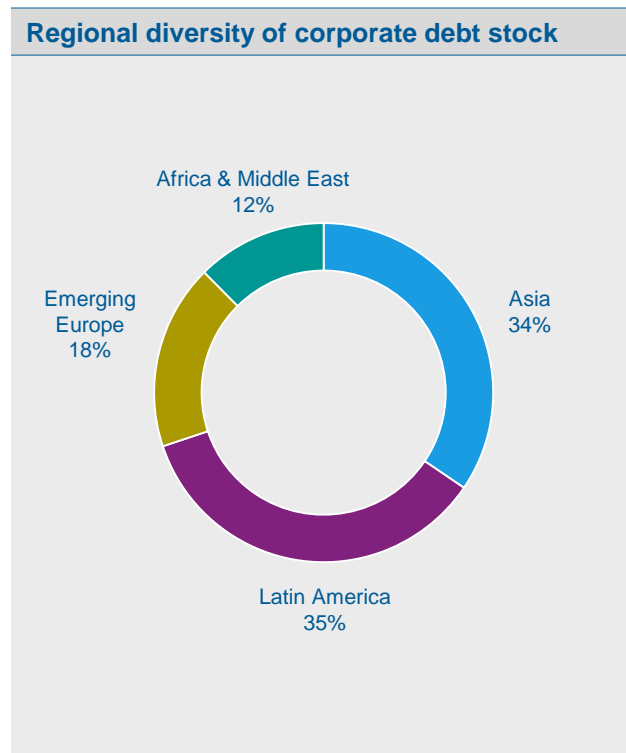
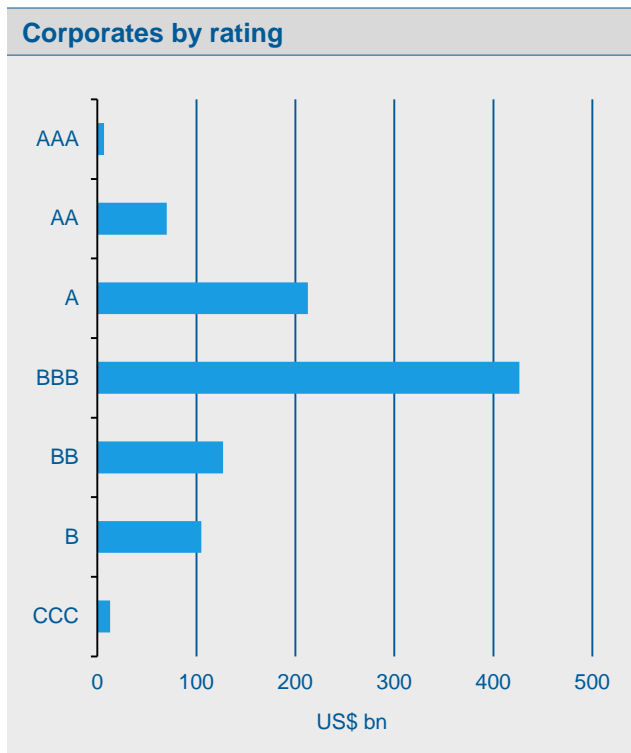
Bonds (Foreign Currency)

Total Corporate Loans

?

Source: CEIC, Bloomberg, Morgan Stanley Research estimates, May 13
Note: The figure for Bonds (Foreign Currency) represents liquid non-financial USD bonds
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Brief snapshot of the EM corporate bond market



- The majority of ratings are investment grade with financials remaining the largest sector
- Latin American and Asian issuers represent 70% of the total index

Source: Merrill Lynch, Jan 13

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Comparison of EM corporate and EM sovereign indices

	Corporate Bond Index ¹	Sovereign HC Index ²	Sovereign LC Index ³
No. of issuers	412	99	16
No. of issues	878	347	182
Average rating	Baa2/BBB	Baa3/BB+	Baa2/BBB+
Inv. Grade (%)	69	58	83
No. of countries	43	56	16
Minimum issue size	US\$300m	US\$500m	N/A
Yield (%)	4.68	4.48	5.56
Modified duration (years)	5.40	7.18	4.94

Source: JP Morgan, Aberdeen Asset Management, Mar 13

1. JPM CEMBI Broad Diversified Index
2. JPM EMBI Global Diversified Index
3. JPM GBI-EM Global Diversified Index

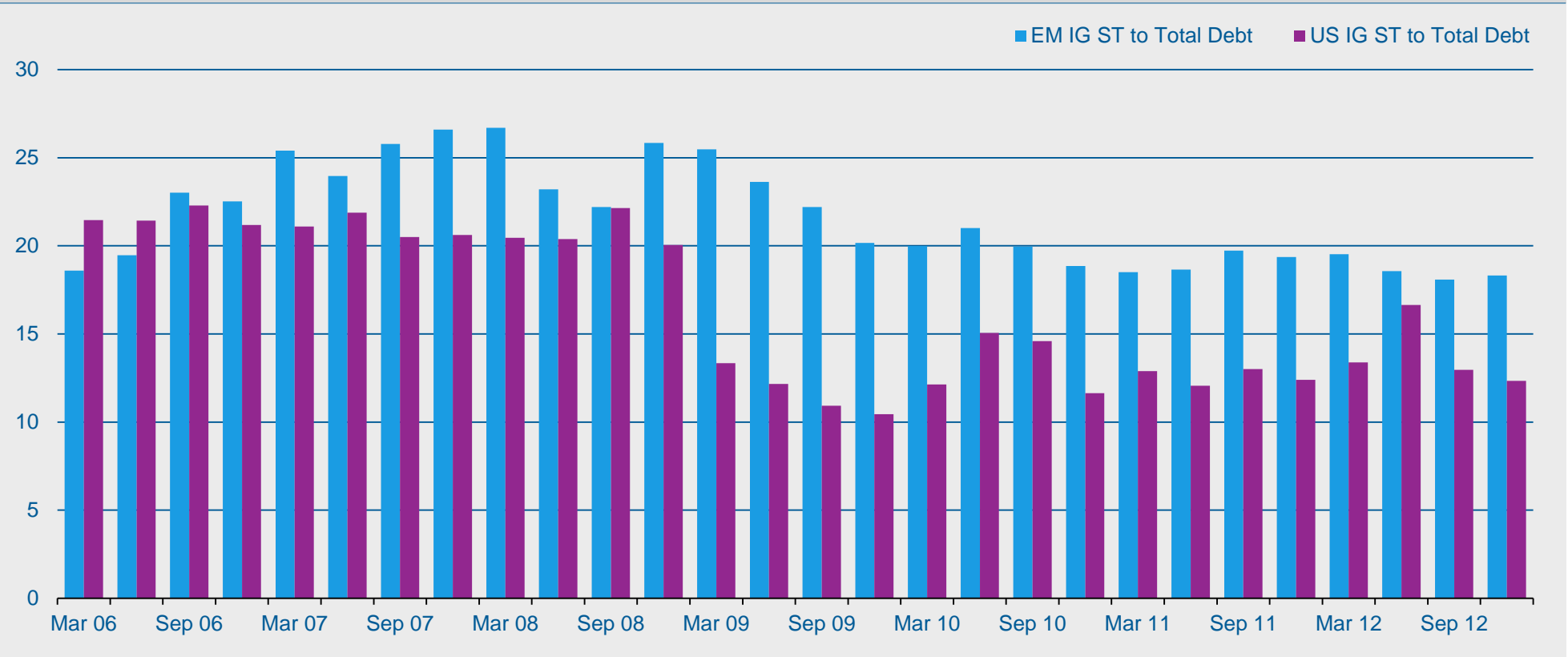
In determining average credit rating, ratings from Moody's, Standard & Poors, or Fitch will apply. Every security in the representative account is assigned a average credit rating. The higher rating will apply for split rated securities. The average credit quality is a market-weighted average of all the securities in the representative account. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. Individuals cannot invest directly in an index.

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Higher average rating than HC sovereign, and a lot more issuers

EM corporates terming out their debt

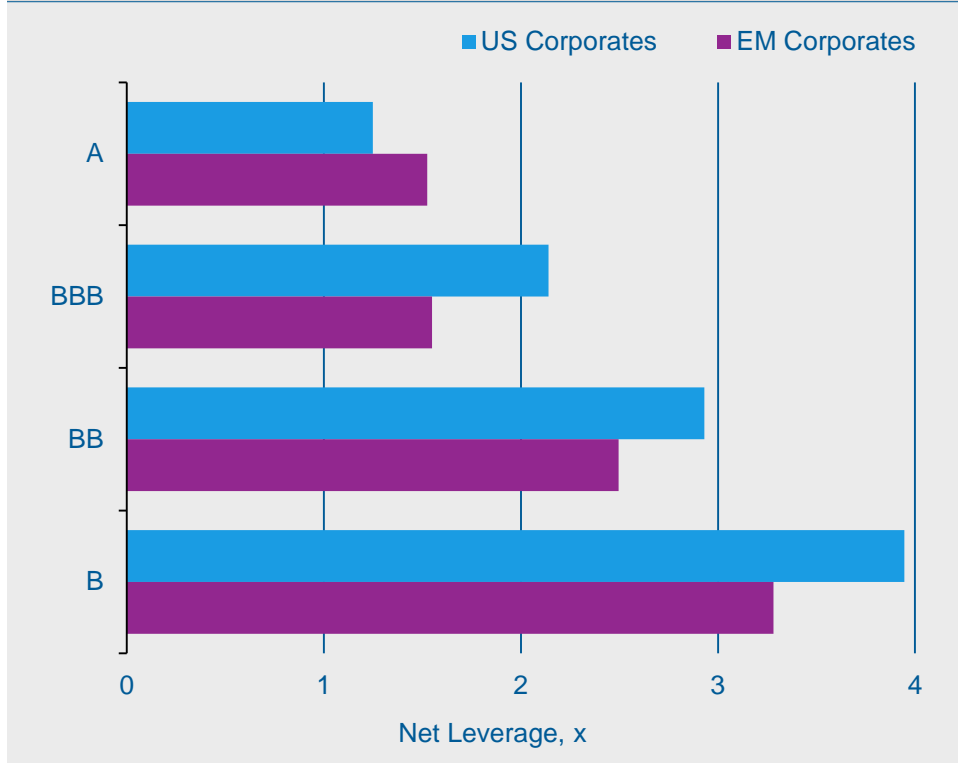
ST debt as a % of total debt



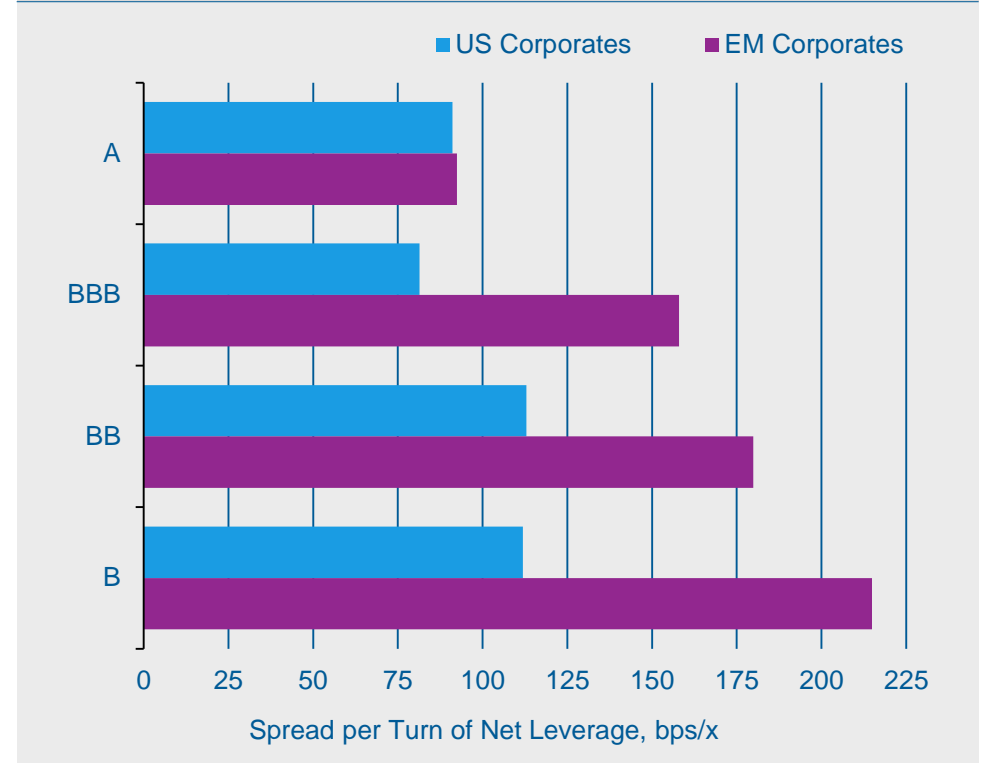
Source: BofA Merrill Lynch Global Research, Dec 12
For illustrative purposes only

... yet trade at wider spreads

EM corporates have lower leverage in the same ratings buckets ...



... and wider spreads despite lower leverage



Source: BofA Merrill Lynch Global Research, Dec 12

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The use of leverage may subject investments to additional risk and could magnify losses

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Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is an integral part of a complete presentation and is described in Part II of the firm's ADV, which is available upon request. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

Risk considerations: Foreign securities are more volatile, harder to price and less liquid than U.S. Securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risk may be enhanced in emerging markets countries. Fixed income securities are subject to certain risks including, but not limited to interest rate, prepayment, extension and credit risks.

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The J.P. Morgan Emerging Markets Bond Index Global (JPM EMBI) is an unmanaged market capitalization weighted index of U.S. dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by emerging markets' sovereign and quasi-sovereign entities.

The J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) indices are comprehensive emerging market debt benchmarks that track local currency bonds issued by Emerging Market governments.

The J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI), is a global, liquid corporate emerging markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging markets entities.

The JPMorgan US Liquid Index, or JULI, provides performance comparisons and valuation metrics across a carefully defined universe of investment grade corporate bonds, tracking individual issuers, sectors and sub-sectors by their various ratings and maturities.

The S&P 500 Index is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The JPMorgan Domestic High Yield Index is an index composed of noninvestment- grade corporate bonds.

The JPMorgan U.S. Treasury Index represents public obligations of the U. S. Treasury with a remaining maturity of one year or more.

The JPMorgan Emerging Markets (EM) Index is designed to measure global emerging market equity performance.

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