



5

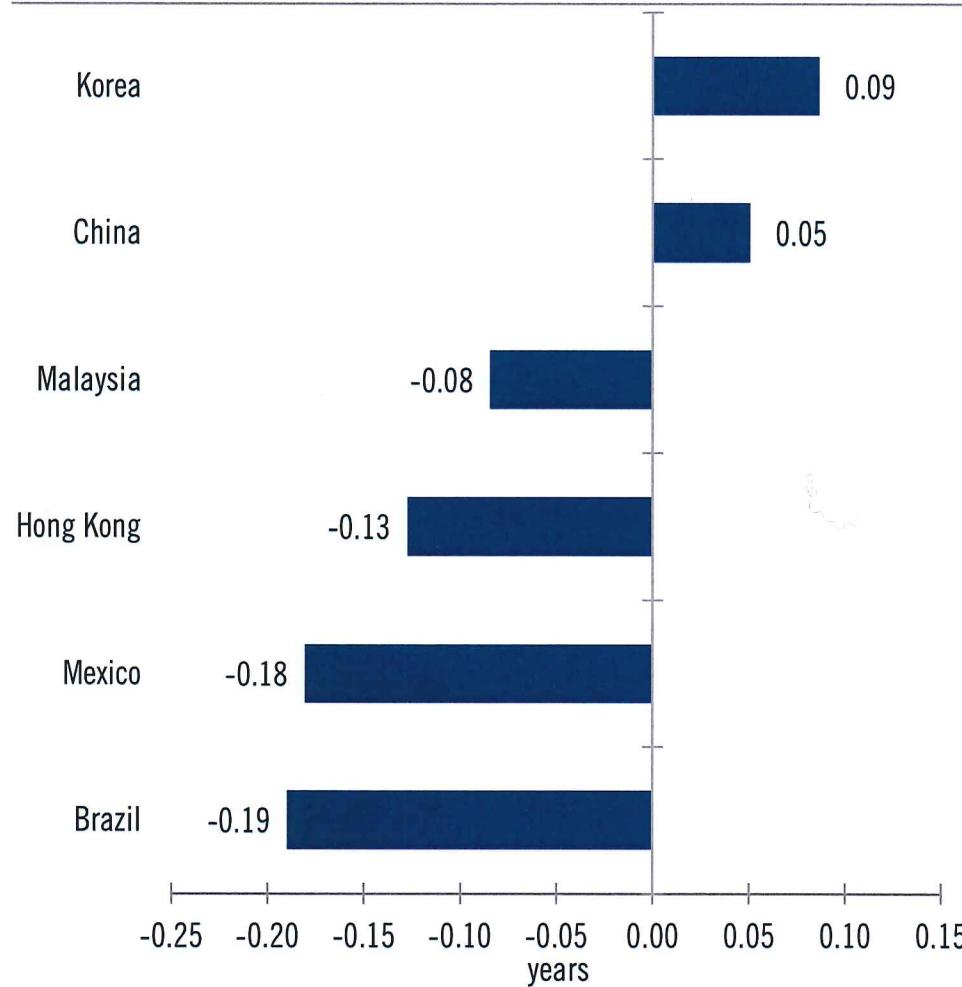
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## Our views

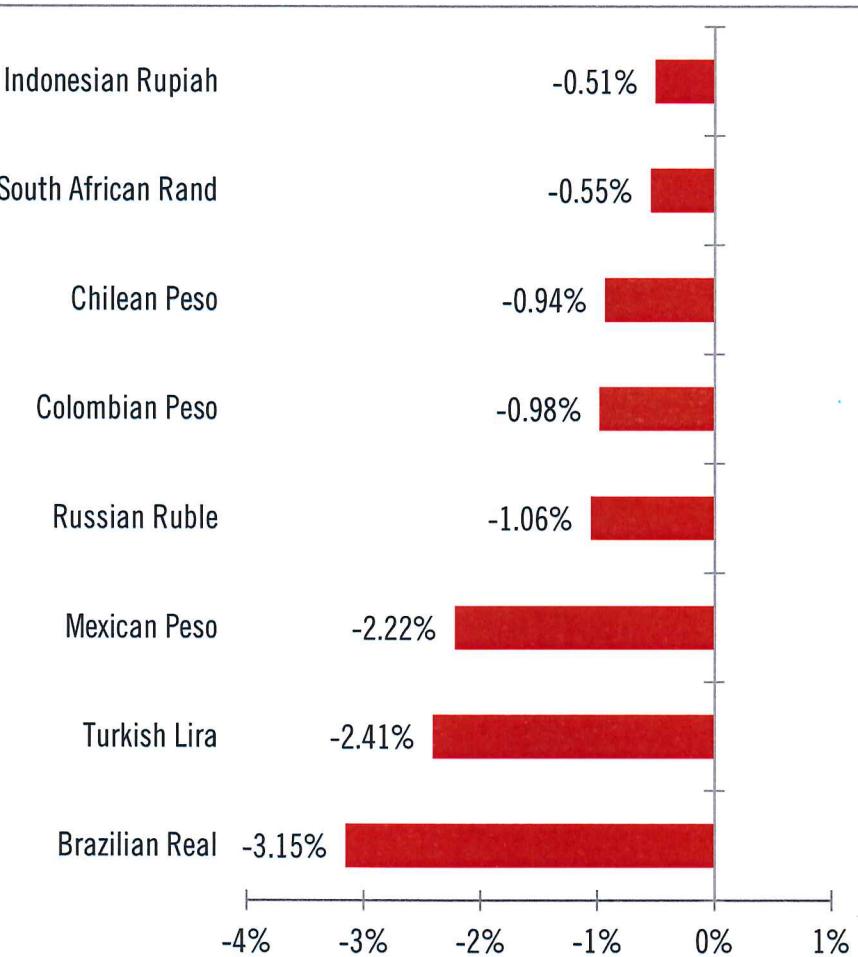


# Active positioning

Active rates/duration views underweight 0.4 years



Active currency views underweight 11.5%



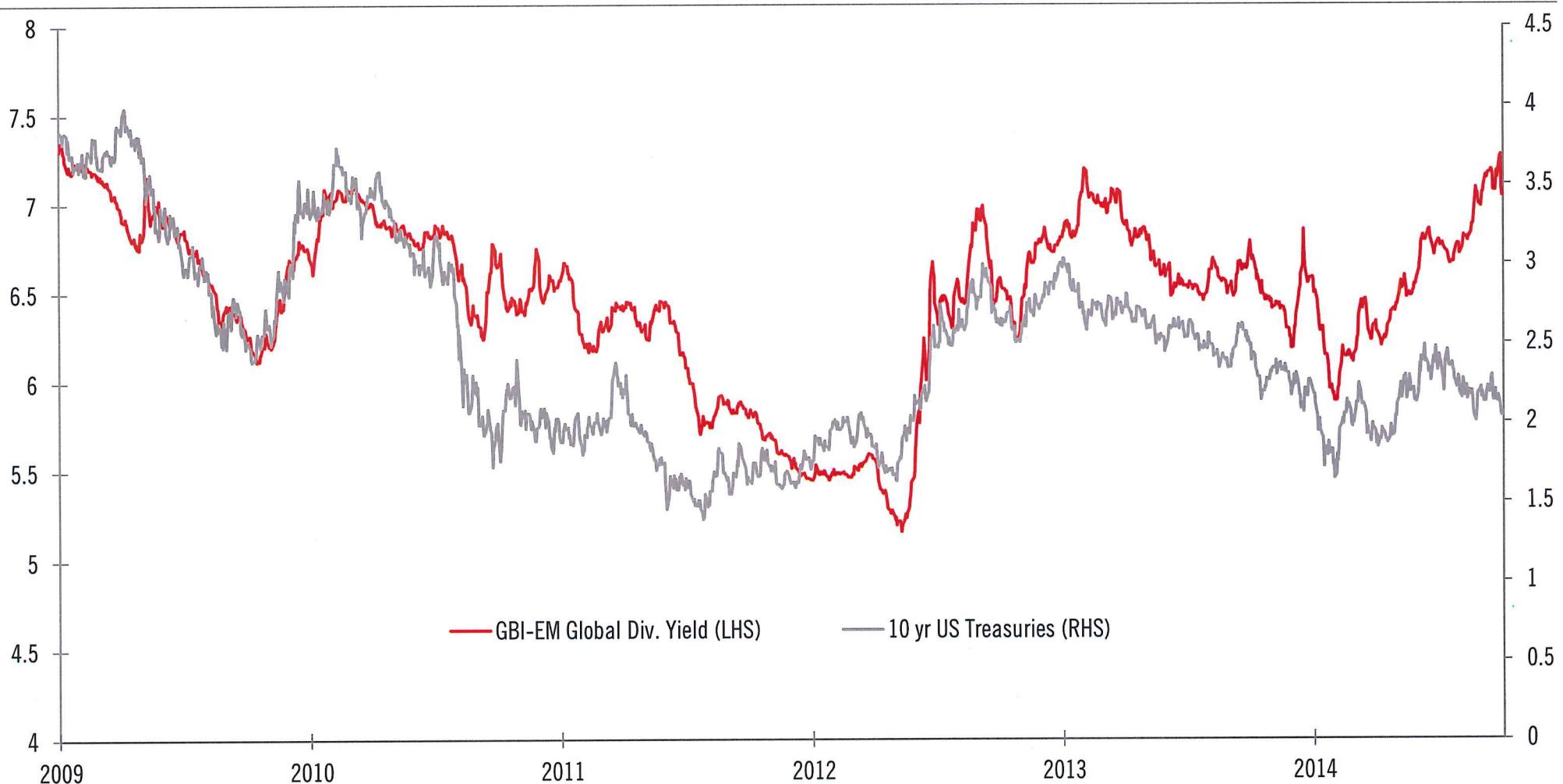
Key active positions

Source: Pictet Asset Management, as at 09.11.2015



## EM returns remain dominated by US Treasuries...

GBI-EM Global Diversified Yield vs. 10 year US Treasuries



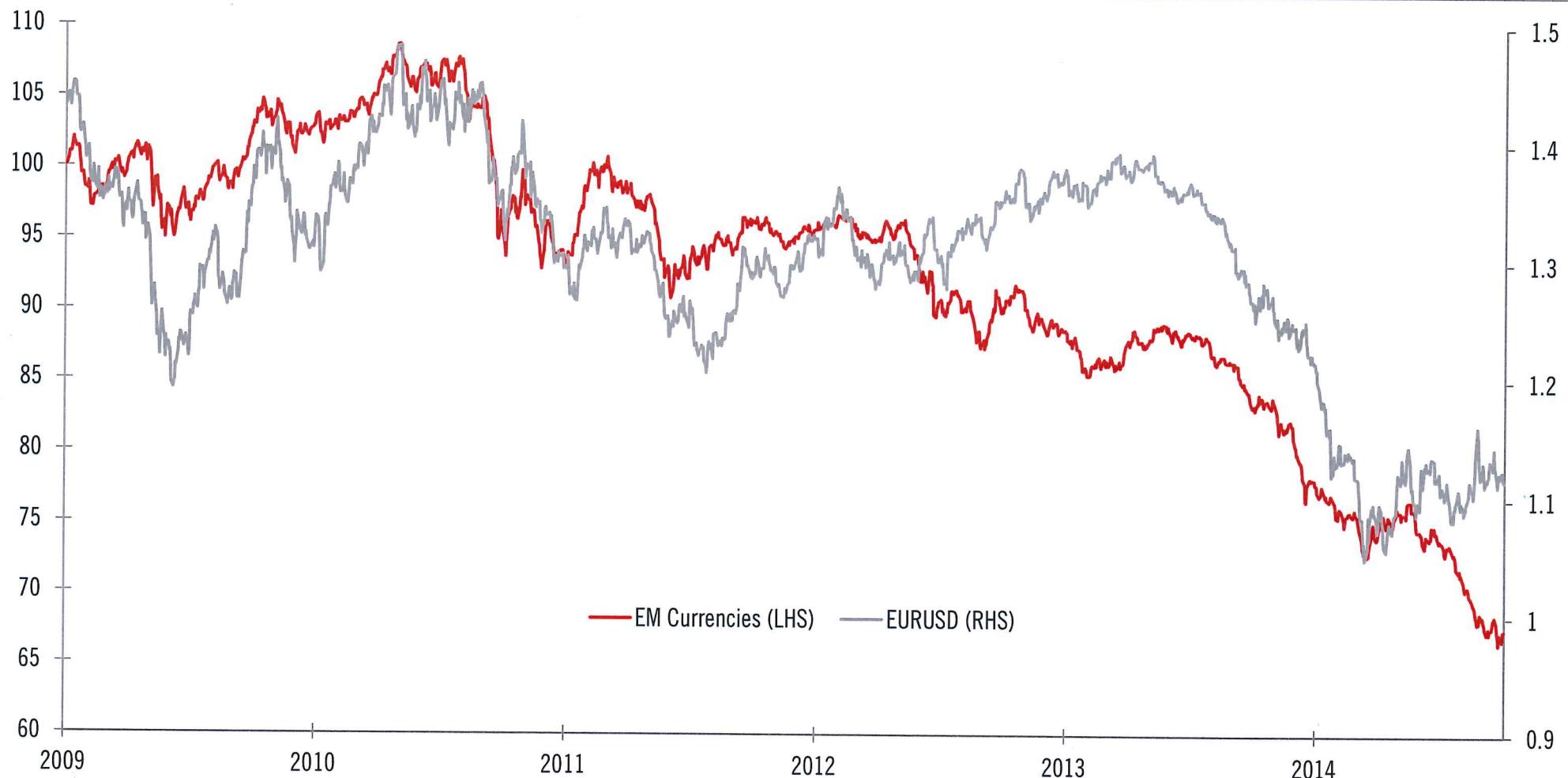
Source: Pictet Asset Management, Bloomberg. As at 02.10.2015



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... and by the US dollar

### EM currencies vs EURUSD



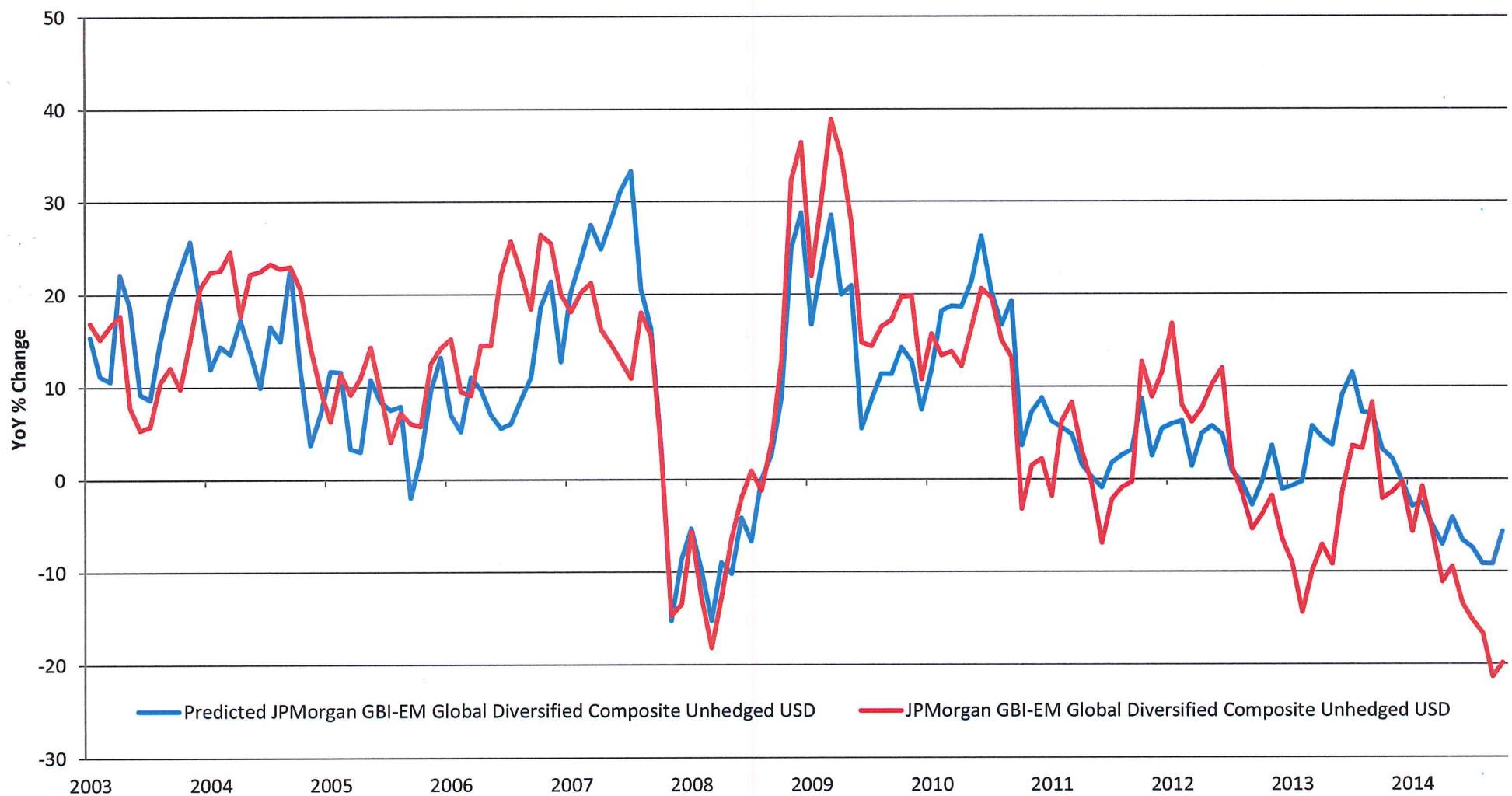
Source: Pictet Asset Management, Bloomberg, JP Morgan Emerging Markets Currency Index. As at 02.10.2015



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## Adding 2 more ingredients gives us a reasonable roadmap

GBI-EM Gbl Div vs. Pictet's projection on GBI-EM Gbl Div

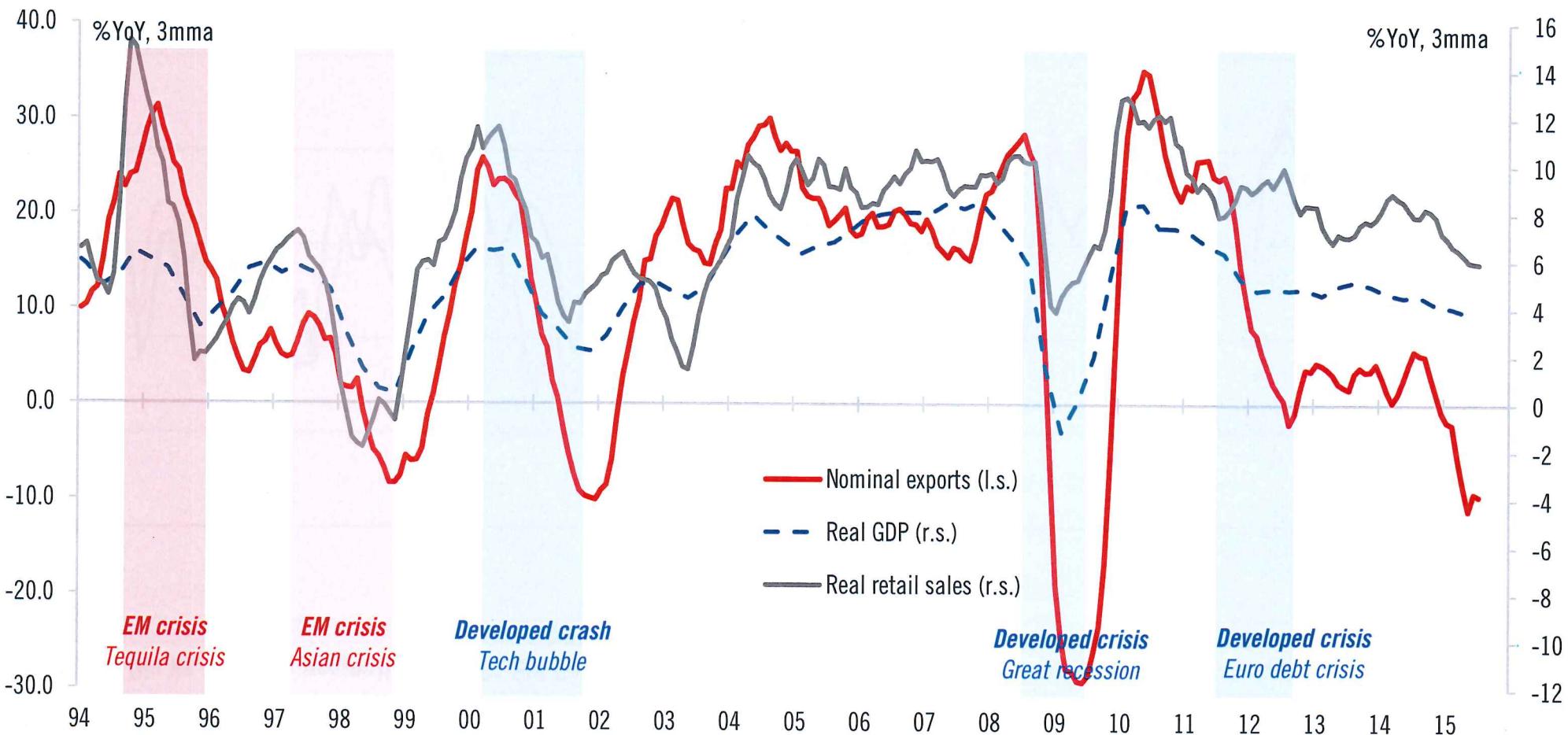


\* Model inputs are: 10 year US Treasuries, EURUSD, commodities and US+EU inflation  
Source: Pictet Asset Management, Bloomberg. As at 30.09.2015



# Not just a DM story, EM exports have been getting worse

## Emerging nominal exports, retail sales & GDP growth



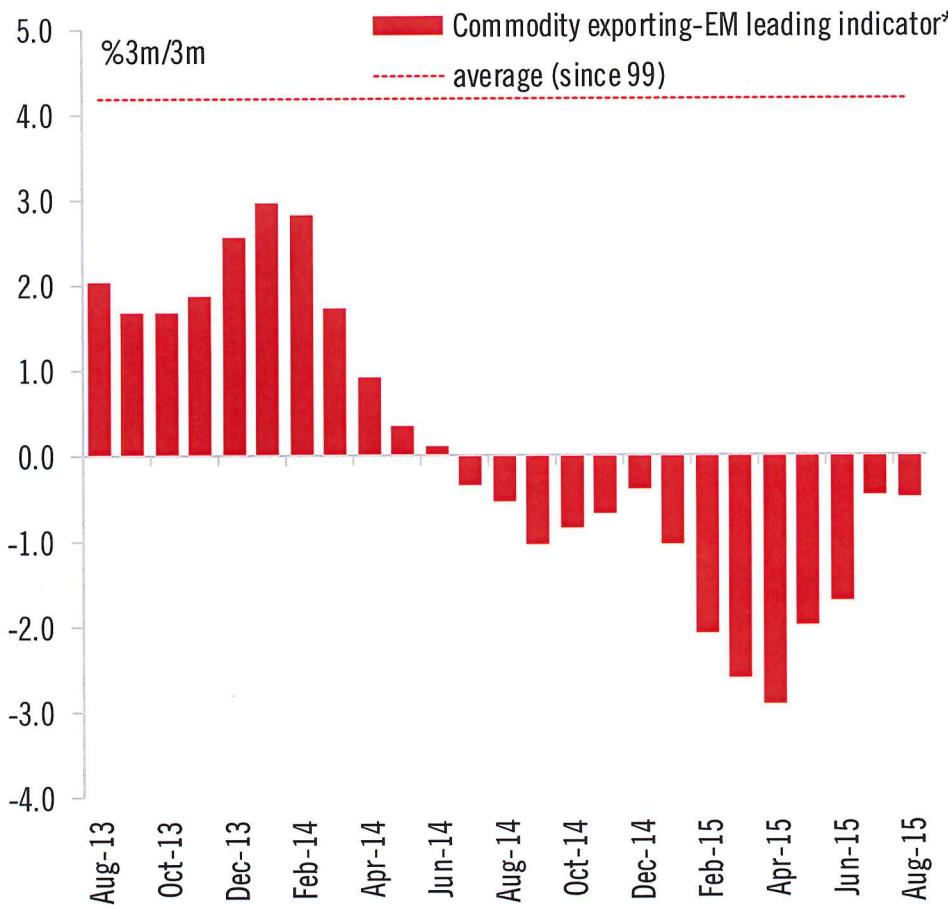
Source: Emerging Advisors Group, as at 30.09.15



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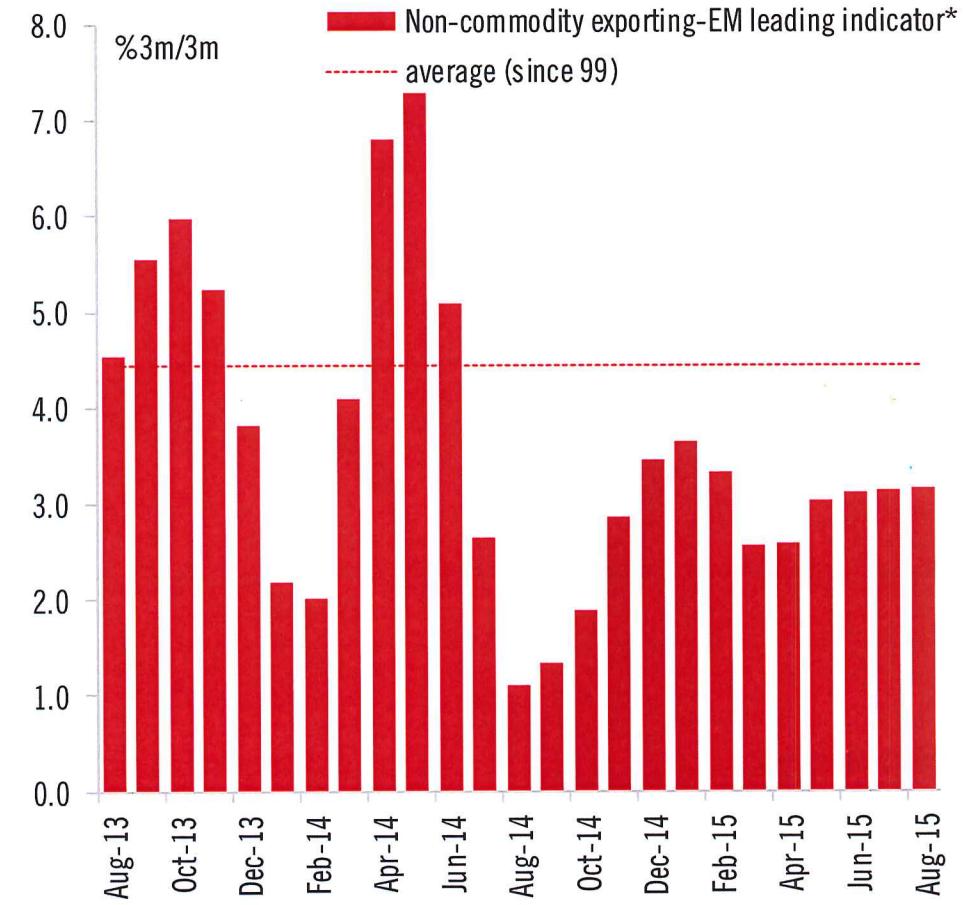
# Lower commodity prices can benefit manufacturing exporters

## Commodity exporters: EM leading indicator



\*unweighted average of individual EM leading indicators

## Non-Commodity exporters: EM leading indicator



\*unweighted average of individual EM leading indicators

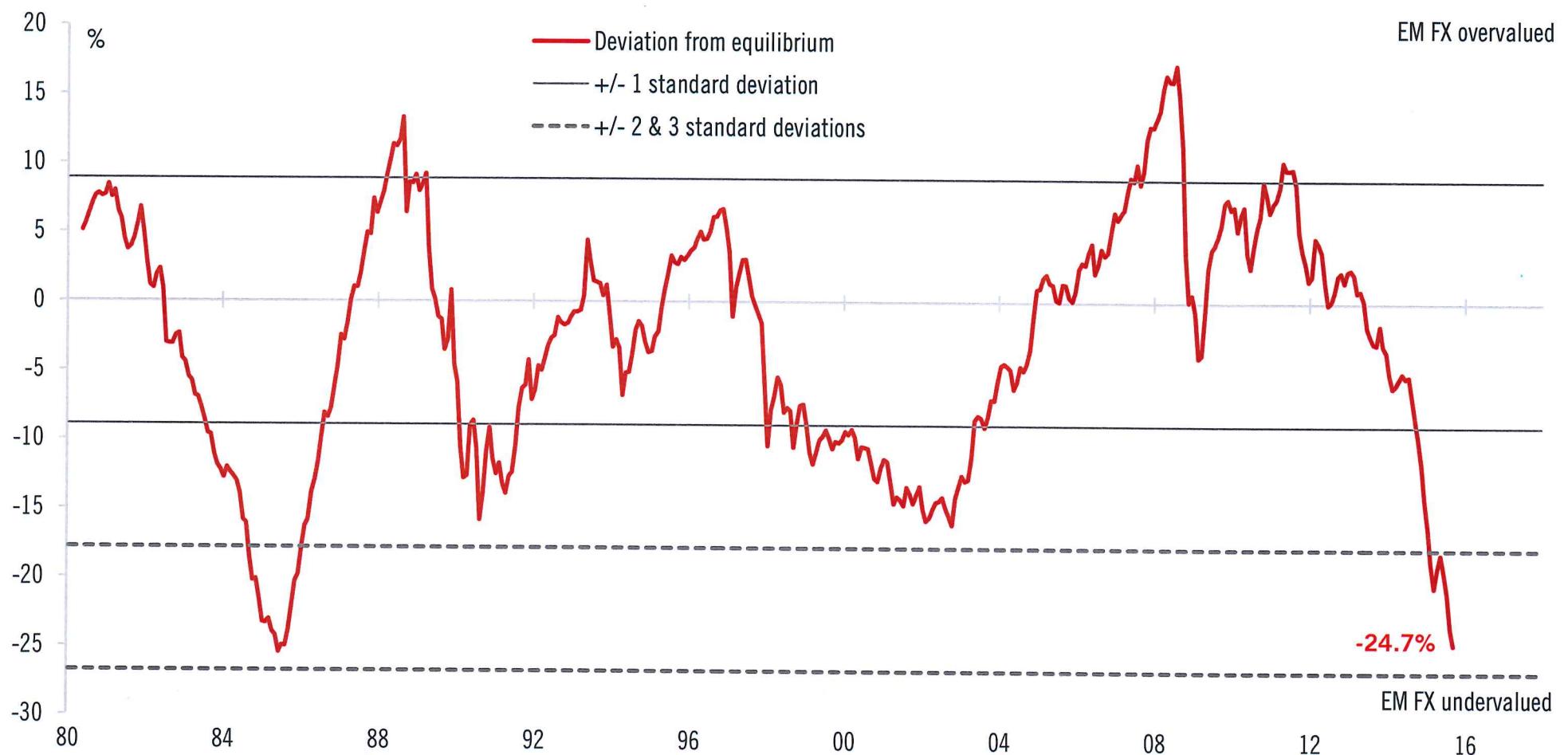
Source: Pictet Asset Management, BIS, CEIC, Datastream as at 30.09.15



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# Weaker currencies can be part of the solution for competitiveness

## EM currencies over (+) undervaluation (-)



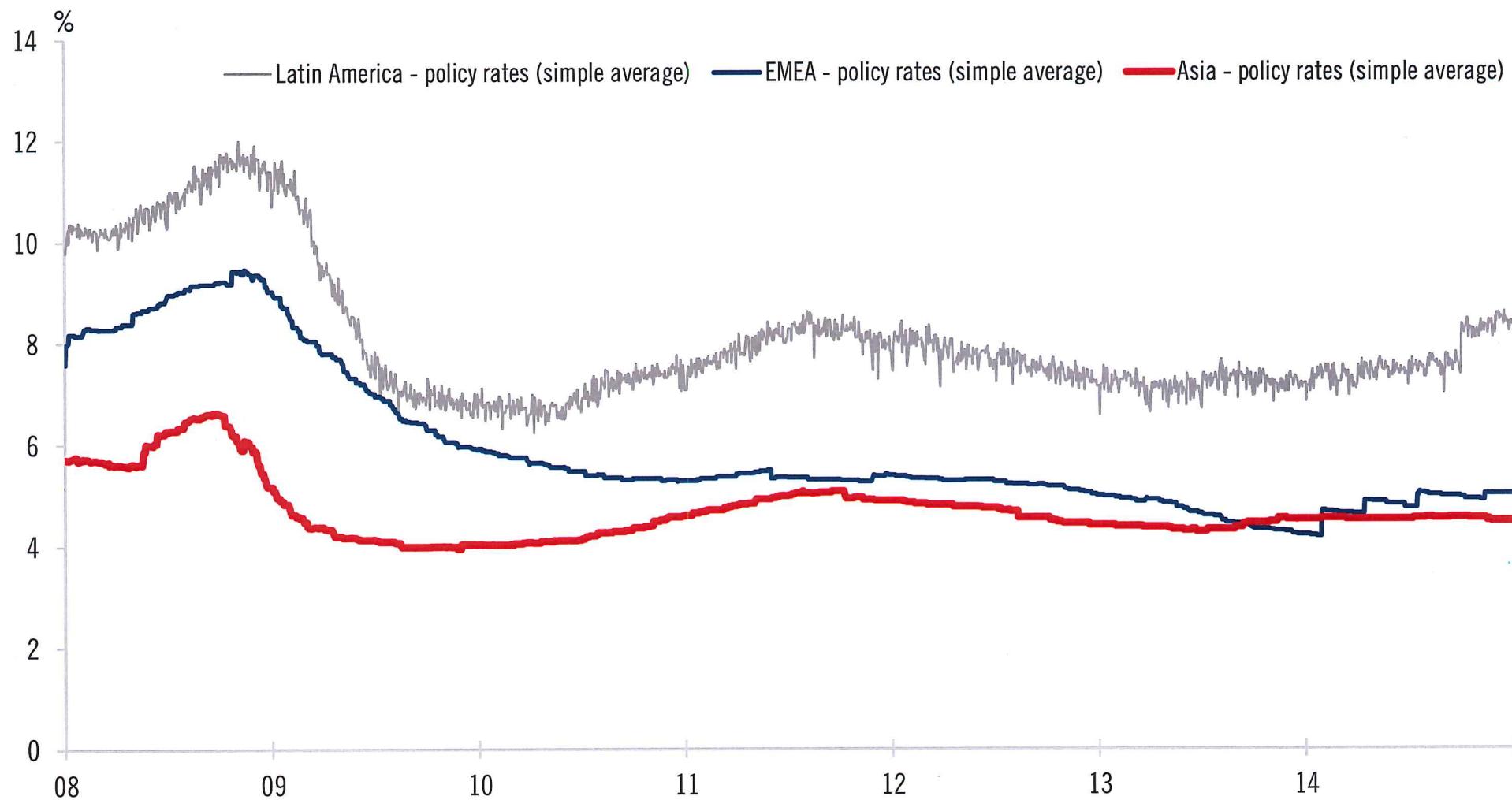
Source: Pictet Asset Management, 30.09.2015



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# Monetary policy has been prudent

## EM policy rates



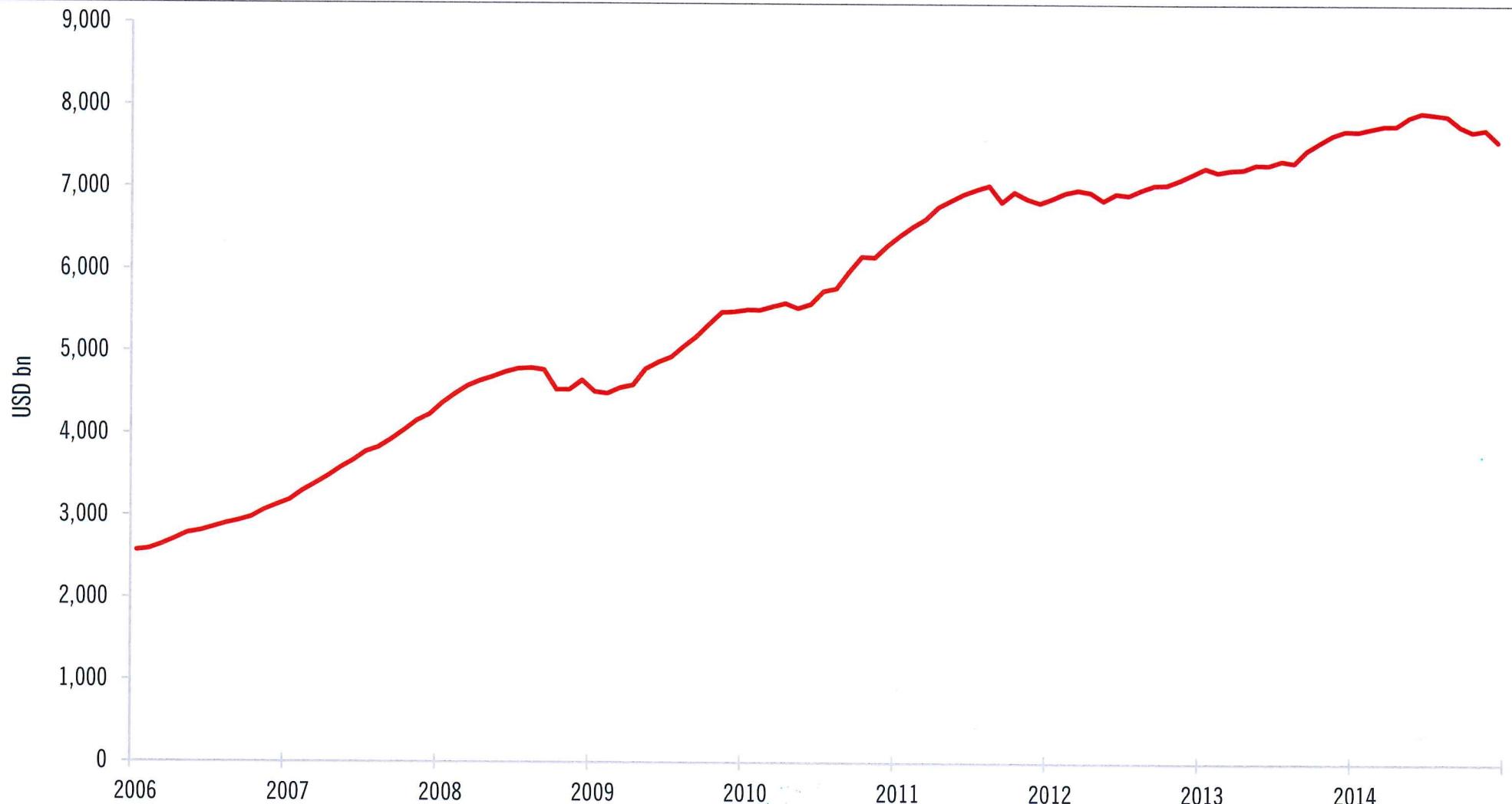
Source: Pictet Asset Management, CEIC, Datastream, as at 30.09.15



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## Reminder that this isn't a traditional EM credit crisis

FX Reserves



Source: Pictet Asset Management, CEIC, Datastream, World Bank Group, as at 31.07.2015

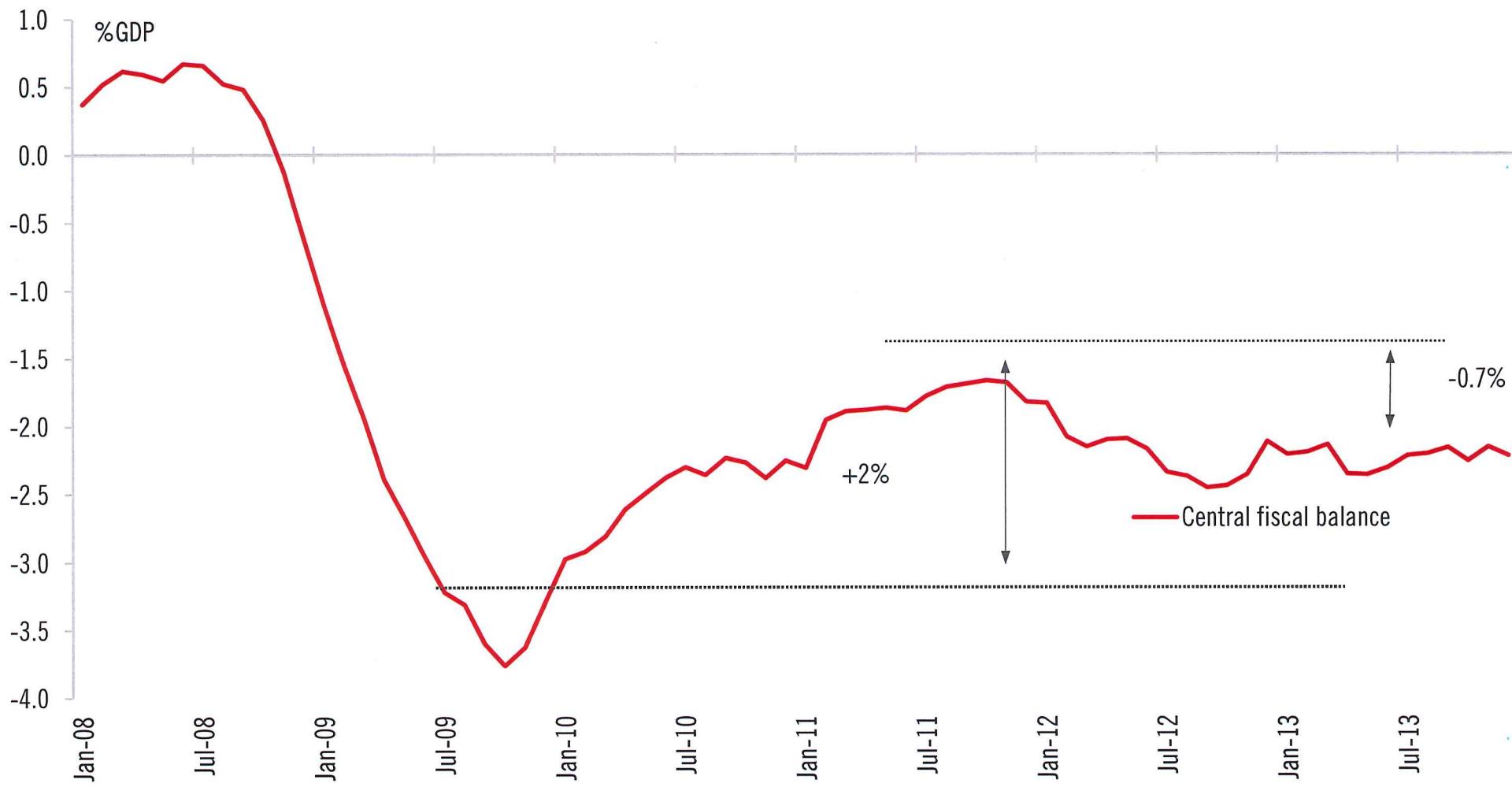


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# Fiscal policy has been disciplined

受训布的财政纪律

## Emerging fiscal policy: central fiscal balance (%GDP)



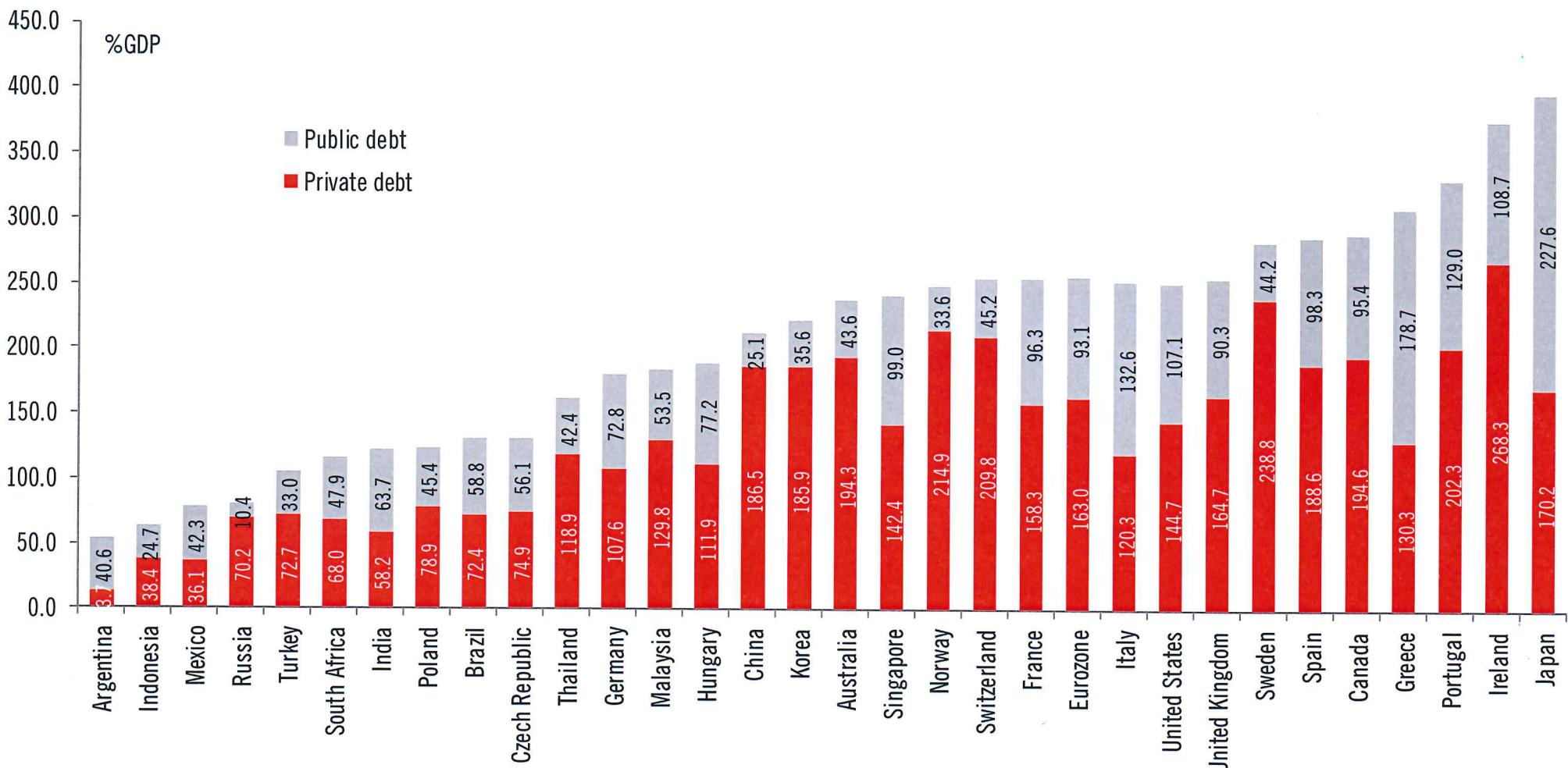
Source: Pictet Asset Management, CEIC, Datastream, data as at 30 September 2015.



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# Ability to pay is not in question

## Total debt by sector for EM & DM



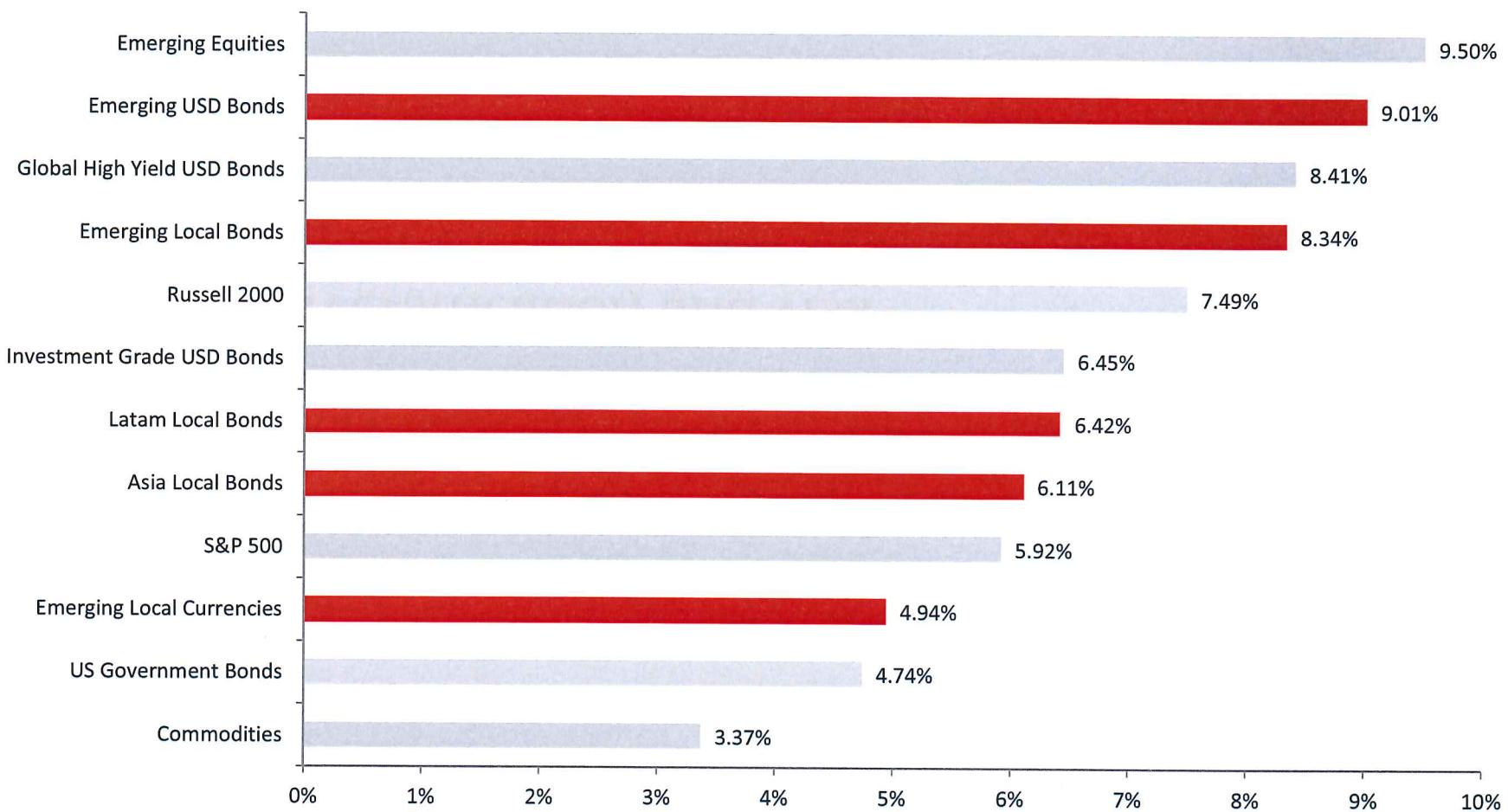
Source: Pictet Asset Management, BIS, CEIC, Datastream as at Q4 2014 (data available with a 6 to 9 month delay)





# Emerging Market Debt has been high returning

## Annualised returns since end-2001



Note: All indices are total return.

Annualised historical data: 31.12.2001 – 30.09.2015

Source: JP Morgan / HSBC / Bloomberg



## Well diversified with other asset classes...

Correlations (Monthly)	Emerging Local Bonds	Asia Local Bonds	Latam Local Bonds	Emerging Local Currencies	Emerging USD Bonds	Commodities	US Government Bonds	Investment Grade USD Bonds	Global High Yield USD Bonds	Emerging Equities	S&P 500	Russell 2000
Emerging Local Bonds	1.00	0.82	0.82	0.92	0.76	0.51	0.13	0.52	0.62	0.77	0.57	0.54
Asia Local Bonds		1.00	0.66	0.73	0.63	0.35	0.26	0.54	0.45	0.61	0.42	0.40
Latam Local Bonds			1.00	0.78	0.71	0.49	-0.01	0.41	0.61	0.77	0.60	0.54
Emerging Local Currencies				1.00	0.67	0.62	-0.01	0.37	0.59	0.80	0.63	0.60
Emerging USD Bonds					1.00	0.39	0.26	0.71	0.74	0.69	0.56	0.49
Commodities						1.00	-0.17	0.16	0.47	0.60	0.39	0.38
US Government Bonds							1.00	0.62	-0.20	-0.21	-0.32	-0.33
Investment Grade USD Bonds								1.00	0.49	0.33	0.19	0.14
Global High Yield USD Bonds									1.00	0.72	0.69	0.68
Emerging Equities										1.00	0.79	0.75
S&P 500											1.00	0.90
Russell 2000												1.00

Note: All indices are total return.

Annualised historical data: 31.12.2001 – 30.09.2015

Source: JP Morgan / HSBC / Bloomberg



## ...with low inter-region correlations and good risk-return

Correlations Monthly	Asia	Europe	LatAm	ME/Africa
Asia	1.00	0.57	0.57	0.49
Europe		1.00	0.65	0.65
LatAm			1.00	0.52
ME/Africa				1.00

	Emerging Local Bonds	Latam Local Bonds	Emerging USD Bonds	Emerging Local Currencies	Asia Local Bonds	Investment Grade USD Bonds	US Government Bonds	Global High Yield USD Bonds	Emerging Equities	Commodities	Russell 2000	S&P 500
Annualised Return	8%	6%	9%	5%	6%	6%	5%	8%	10%	3%	7%	6%
Annualised Volatility	12%	13%	9%	8%	6%	5%	5%	9%	23%	18%	20%	15%
Sharpe Ratios	0.56	0.35	0.84	0.43	0.69	0.87	0.64	0.73	0.34	0.09	0.30	0.29

Note: All indices are total return.

Annualised historical data: 31.12.2001 – 30.09.2015

Source: JP Morgan / HSBC / Bloomberg





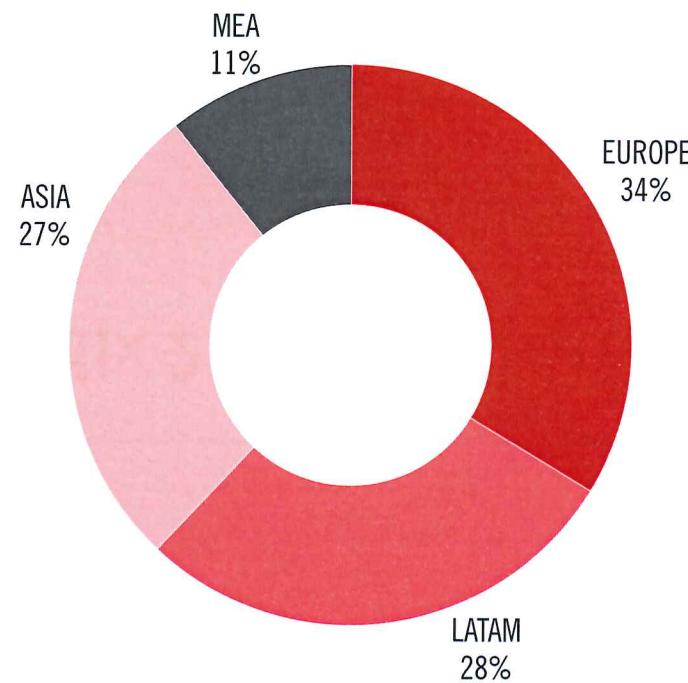
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## Appendix 2 – Index characteristics

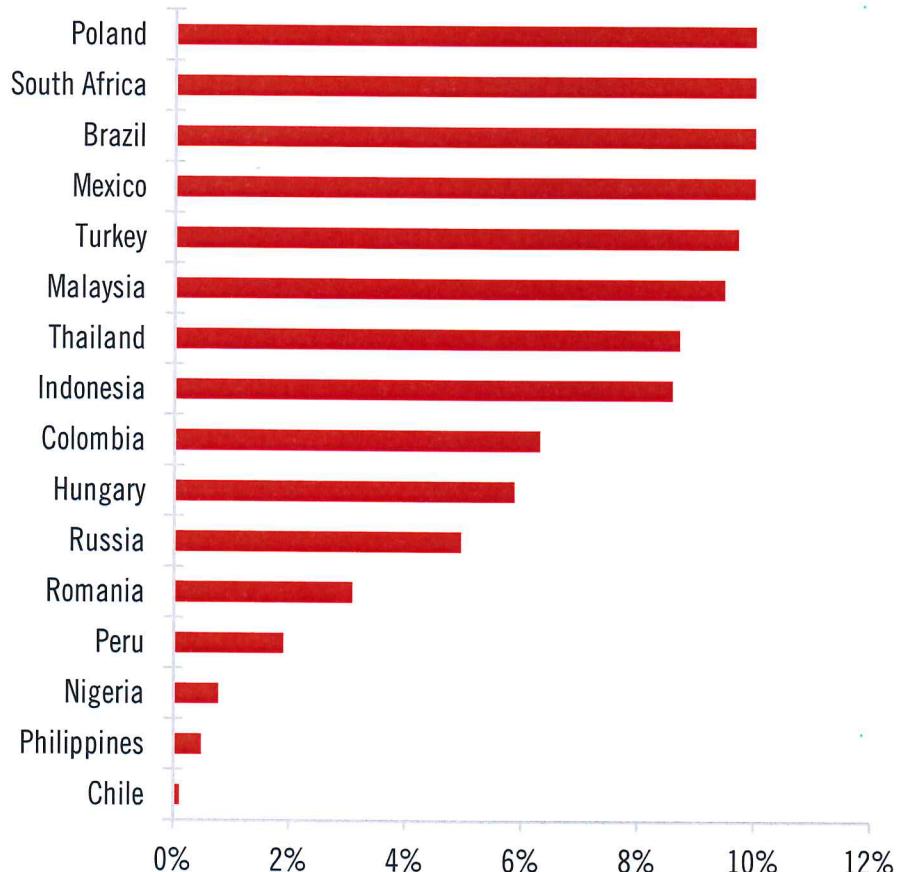


# Emerging Local Currency Debt index characteristics

Global local bonds universe<sup>1</sup>



Global local bonds country weights<sup>1</sup>



Ave. Duration

4.85 years

Yield

7.09

Ave. Rating

Baa2/BBB+

# of Countries

16

<sup>1</sup> JPMorgan GBI-EM Global Diversified Index

Source: Pictet Asset Management / JP Morgan, as at 30.09.2015

