

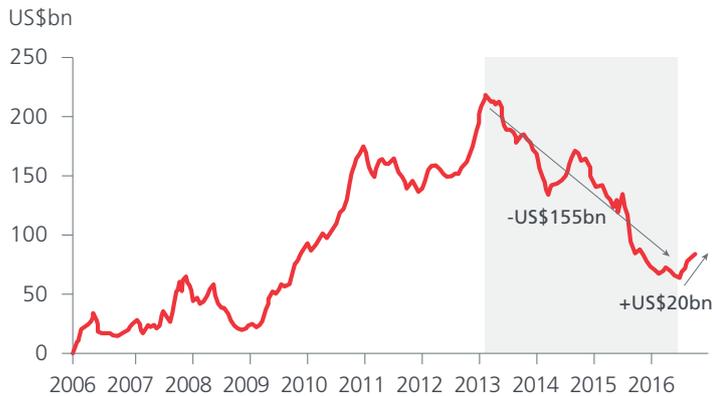
GLOBAL EMERGING MARKETS ARE BACK IN VOGUE IN 2016

EASTSPRING INVESTMENTS – GLOBAL EMERGING MARKETS DYNAMIC FUND

INVESTOR SENTIMENT HAS BEEN BULLISH FOR GLOBAL EMERGING MARKETS (“GEM”) EQUITIES THIS YEAR.

After being out of favour for many years, significant assets are flowing into these markets, precipitating a 16.3% rally in GEM equities year-to-date¹. Our Eastspring Investments – Global Emerging Markets Dynamic Fund is up by 19.8% (Class A, bid-to-bid basis, USD), outperforming its benchmark by 3.5%². On an offer-to-bid basis, the Fund is up by 13.8%³.

Cumulative Flows Into Global Emerging Market Equities Has Recently Turned Positive



Source: EPFR, UBS, as at 30 September 2016.

We see a pickup in global economic activity and signs of improvement in emerging markets’ corporate earnings. Developed economies appear to be on a firmer footing led by the US economy’s upswing. Following the election of Donald Trump as the 45th US president we believe the prospect of a boost to economic activity from fiscal stimulus can translate to greater demand for Emerging Market goods from one of the worlds largest consumer market. Within emerging markets, China’s economy looks to be benefitting from accommodative credit conditions and its leadership’s commitment to transition towards a consumption-based economy. In Brazil, Latin America’s economic powerhouse, political scandals are moving out of the headlines and a glimmer of hope for the new government has helped sentiment. Meanwhile, Russia seems to benefit from stabilising oil prices and its currency is bouncing back from low levels.

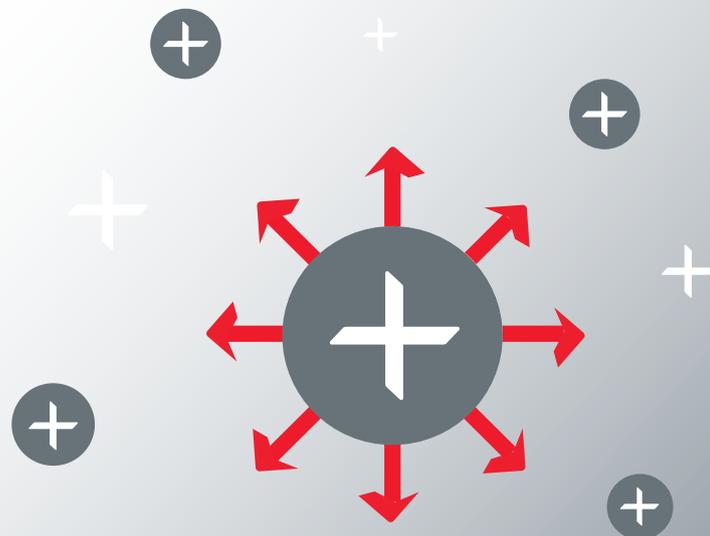
Recent signs of an earnings recovery in GEM corporates will likely validate its current attractive valuations and fuel confidence that these corporates are on the right track.

GEM EPS are improving for the first time in 5 years



Source: Thomson Reuters Datastream, Eastspring Investments, 30 September 2016. EPS = earnings per share.

If history serves as a guide, it is worth noting that when GEM equities are back on the radar, they can rise very sharply and quickly. Despite the modest rally, we believe the largest opportunity lies in the extreme valuation dispersion between quality and value stocks. As the valuation gap between cheap and expensive stocks remains high, we continue to find opportunities in companies we have identified as fundamentally mispriced.



¹ January to October 2016.

² January to October 2016. Past performance is not necessarily indicative of the future or likely performance of the Fund.

³ January to October 2016. Offer-to-bid includes 5% Initial Sales Charge. Past performance is not necessarily indicative of the future or likely performance of the Fund.

Source: Eastspring Investments.

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