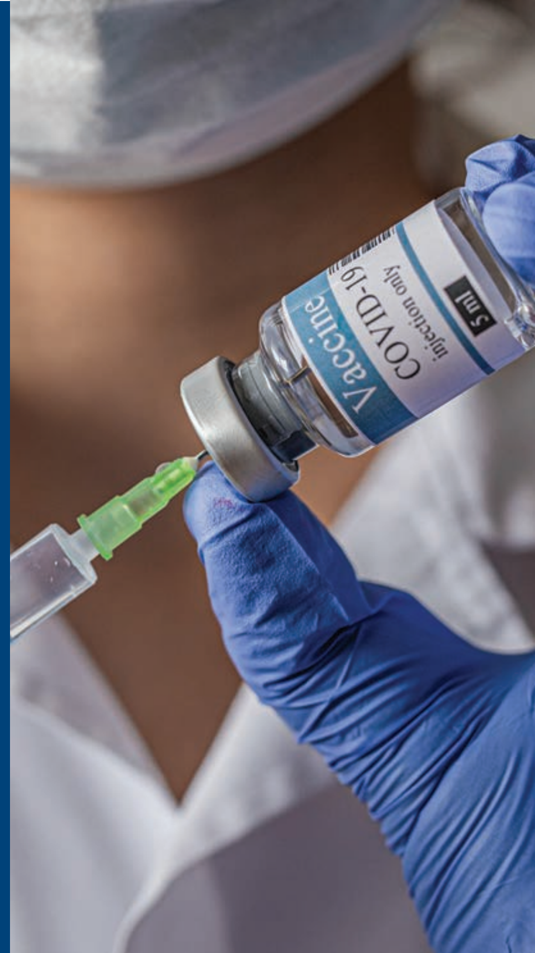


Checking All the Boxes

2021 Emerging Markets Outlook

MIRAE ASSET
Global Investments

About Mirae Asset Global Investments

Mirae Asset Global Investments manages investment strategies for clients across the globe. With over $182 billion in total assets under management, and over 800 employees, including 206 dedicated investment professionals,[1] Mirae Asset offers a breadth of emerging markets expertise. Mirae Asset's offices are located in Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Japan, Korea, the U.K., the United States and Vietnam.

We focus on actively managed emerging market-focused portfolios through a bottom-up investment process rooted in on-the-ground research. Mirae Asset Global Investments is recognized as one of the world's largest emerging market equity investment managers[2] and has one of the largest teams of investment professionals dedicated to emerging markets. Our worldwide team of portfolio managers, analysts and strategists maintains proximity to the investment opportunities that we research, allowing a deep understanding of companies and the cultures in which they operate.

[1]As of November 30, 2020.
[2]Investments and Pensions Europe, 2020.

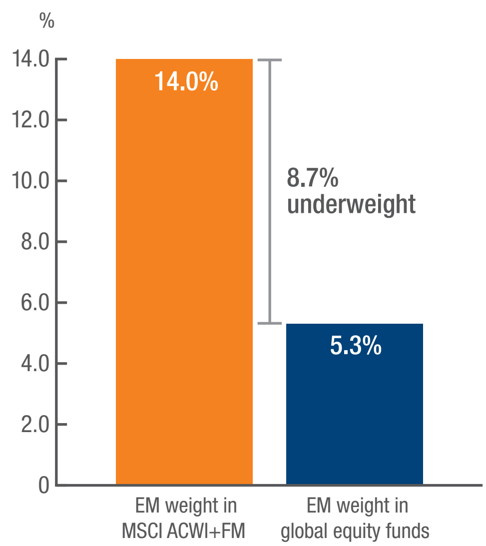
Executive Summary

Emerging market (EM) equities show significant growth potential for 2021. Global institutional equity investors remain roughly 870 basis points underweight the asset class,[1] and the market trades 10.70% below its 10-year historical average discount to developed markets (DM).[2] We believe there is notable opportunity for a market re-rating in 2021 driven by a Covid-19 vaccine-led recovery in global demand, a weaker US dollar (USD) stemming from dovish monetary policy and increased fiscal stimulus, and a low global interest rate environment. We believe that a Biden administration will lead to normalized geopolitical relations and reduce rhetoric risk in China and other countries. Structurally, the asset class looks attractive, as EM has continued to benefit from a powerful consumer-driven domestic demand story. We also believe that active managers that integrate Environmental, Social, Governance (ESG) into their investment process will see many opportunities as flows continue to move into socially responsible investments with the potential for more sustainable earnings growth.

On a regional basis, we continue to favor a domestic secular driven growth story in China and companies that have benefited from the structural reforms in India. We see Latin America and Eastern Europe, Middle East and Africa EEMEA) as under-owned regions. The average global equity investor has approximately a 5% weighting to EM and Asia represents roughly 80% of the asset class, which means the average investor has only around 1% allocated to Latin America and EEMEA combined. This underweight creates a significant moment for stock pickers assessing overlooked and inefficient regions.

STRUCTURAL THEMES	FINANCIAL INCLUSION	HEALTHCARE ACCESS	EDUCATION FOR ALL	DISCRETIONARY SPENDING
Accelerating Drivers	Digital Banking & Online Brokerage	Telemedicine	Virtual Learning	Online Shopping
STRUCTURAL THEMES	IMPROVING TRANSPORTATION	GOODS & SERVICES	PROFESSIONALIZING MANAGEMENT	BASIC CONNECTIVITY
Accelerating Drivers	Ride Sharing	Gaming & Experiences	Growing ESG Focus	Social Networking

EM Underweight in Global Portfolios



Source: EPFR Global, Thomson Reuters Datastream, HSBC calculations, Mirae Asset, data as of 10/31/20.

We also believe that active managers that integrate ESG into their investment process will see many opportunities as flows continue to move into socially responsible investments with the potential for more sustainable earnings growth.

[1] As of October 31, 2020.

[2] Bloomberg, as of November 30, 2020.

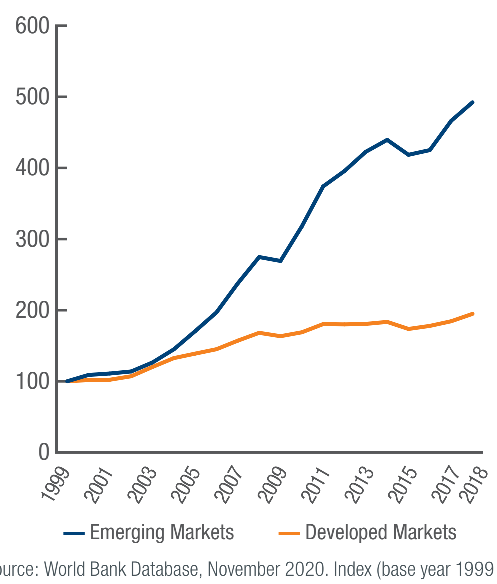
Past performance does not guarantee future results. There can be no guarantee that any strategy (risk management or otherwise) will be successful. All investing involves risk, including potential loss of principal.

Key Events & Trends

The Power of the EM Consumer

We continue to witness a dynamic shift throughout EM as countries move away from low return, asset-heavy business models to innovative and recently profitable domestic demand driven structures. This fundamental opportunity across EM parallels US growth seen in the second half of the 20th century. While the United States benefitted from 77 million "Baby Boomers" born between 1946 and 1964, EM now boast 3.2 billion middle-class consumers who are rapidly adjusting their spending habits and standards of living. Rising income patterns not only drive higher consumption, but they also create higher-paying service-led jobs, which may further expand the middle-class and lead to a self-fulfilling cycle. The rising number of middle class consumers in EM is set to transform the global economic landscape for decades. This presents a unique investment opportunity based on demographics, urbanization, healthcare, education, and technology. We believe that adjustments in spending patterns may lead to positive earnings revisions across various themes, including financial inclusion, technology, travel, healthcare, education, and consumption.

Consumer Spending Growth EM vs DM



Source: World Bank Database, November 2020. Index (base year 1999 = 100), EM & DM as defined by MSCI.

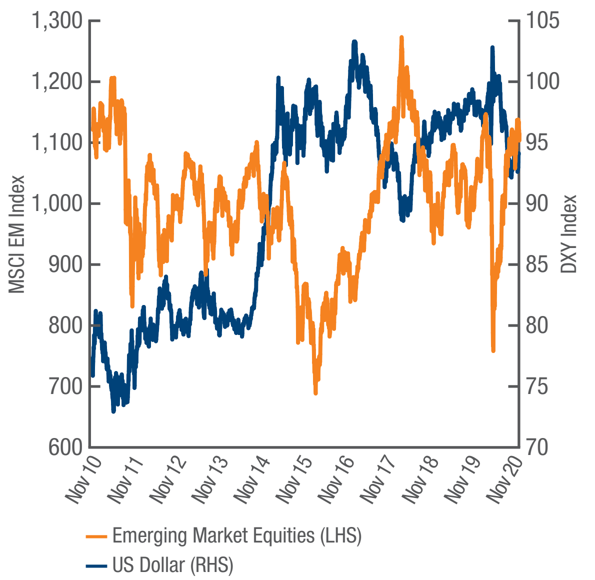
Aftermath of the US election

We see a Biden victory as a short- and medium-term positive for EM due to the prospects for 1) increased fiscal stimulus triggering a weaker USD, 2) a pick-up in US demand, and 3) the normalization of trade relations. The long-term picture may be more opaque since geopolitical normalization would also mean the US is strengthening its relationship with traditional allies, potentially putting China at a competitive disadvantage. Though the campaign incentivized hawkish rhetoric towards Russia and China, both countries have improving prospects in a Biden administration. For Russia, we expect swift actions within the first year of Biden's presidency; however, this is not necessarily bad for Russian equities. The Russian market has traded at depressed valuations for several years off the overhang of increased or continued sanctions from the west. As the former head of the Senate Foreign Affairs Committee, President-Elect Biden understands that broad punishments do not carry as much negotiating power as targeted moves against individuals. Therefore, swift action from the Biden White House would likely target individuals rather than the Russian economy as a whole, bringing a sense of resolution and, counterintuitively, driving a market re-rating. Also, Biden ran on a pro-environment ticket, which should translate into limitations on the US's carbon footprint, which could mean lower oil supply and higher prices, which would bode well for Russia. With regard to China, we believe that Biden will revisit current trade deals with reasonable targets and a more diplomatic tone than his predecessor. Effective or not, fewer headlines should reduce volatility and help improve performance in China. Sino-American relations will most likely remain fragile, but China's domestic story remains robust.

The USD

Historically, the EM equities have gained 4% for each 1% of USD weakness. We anticipate a weaker USD in 2021 based on: (1) the US Federal Reserve likely keeping interest rates at historically low levels, which not only drives inflation, but also pushes investors to seek yields overseas, (2) increased fiscal stimulus in the US, which should drive a larger fiscal deficit and apply pressure on the USD, (3) consensus forecasts of higher GDP growth in EM vs. US, and (4) a higher likelihood of US tax increases under a Biden administration which could limit EPS growth in the coming years. The foregoing reasons, together with the fact that investors have been broadly overweight US assets for many years, lead us to believe that the market is ripe for geographical diversification of capital, which could benefit EM currencies and equity markets.

A Reversal of the US Dollar Should Support EM Equities



Source: Bloomberg. EM equities are represented by the MSCI EM Index and the US Dollar by the DXY Index. As of 11/30/20.

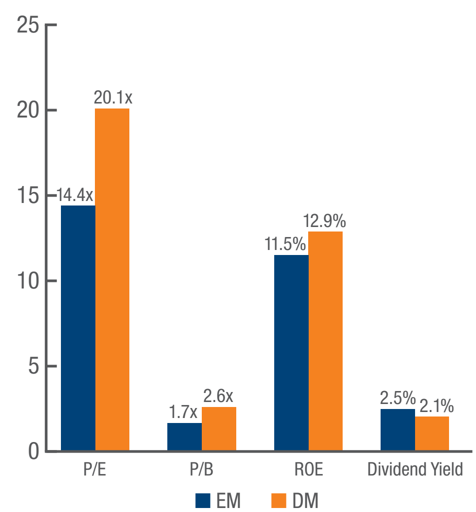
ESG in EM

Despite a traditionally higher risk profile, EM equities have proven resilient and shown relative strength following 2020's 1st quarter volatility. Even more noteworthy is that EM companies that scored highly for environmental, social, and governance (ESG) metrics outperformed the broader market year-to-date. The MSCI Emerging Markets ESG Leaders Index, which tracks companies with high performance in ESG metrics relative to their peers, was up 12.47% versus 8.11% for the MSCI Emerging Markets Index year-to-date as of November 30, 2020. Over the last decade, the MSCI Emerging Markets ESG Leaders Index outperformed the broader MSCI Emerging Markets Index, with 4.40% annualized returns versus 1.14%, respectively, as of November 30, 2020. Despite the rising interest in ESG Investing, a large portion of ESG assets and the majority of inflows remain in DM.[3] ESG risks are not necessarily higher in EM than in DM, as all companies face the same spectrum of ESG risks, but EM remains in the early stages of ESG integration due to fewer resources in the asset class. Historically, the primary focus of EM companies was growth without considering pollution, land degradation, and certain labor rights. The development and maintenance of corporate social responsibility tend to rise in line with nations' wealth. Therefore, as these markets grow in value, such standards should emerge, and an understanding of ESG should prove vital to EM investors. Mirae Asset recognizes that ESG issues have the potential to materially impact financial performance and incorporate these considerations as a critical step in our investment process.

EM Fundamentals

Today, EM shows higher GDP growth rates, higher EPS growth, higher dividend yields, and similar returns at a significant discount versus DM. On a price-to-book basis, EM equities are trading at a 36% discount to their DM peers.[4] This number is more than one standard deviation below its 10-year historical average. We believe this presents an opportunity for active managers to find securities trading below their intrinsic values.

EM vs DM Valuation and Return Metrics



Source: Factset, based on 12-month forward multiples. As of 11/30/20. EM is represented by the MSCI EM Index, DM is represented by the MSCI World Index.

[3]Morningstar (June, 2020).
[4]Bloomberg, as of November 30, 2020.

Headwinds and Tailwinds Across the Emerging Markets

Headwinds

- Covid-19 leading to new lock-down measures
- Potential geopolitical-based tariffs and sanctions
- US-China tensions as a power struggle between the two nations continues
- Weakness in developed market consumers
- Sharp spike in bond yields with the normalization of global economies in the second half of 2021

Tailwinds

- Renewed focus on spurring domestic demand
- Global vaccine distribution
- A weaker USD
- Accommodative central bank policies
- Infrastructure investments in renewable energy and other clean technologies
- Valuations

Regional Overview

Asia Pacific

We are increasingly optimistic on the outlook and growth recovery for Emerging Asia Pacific. After experiencing unprecedented volatility from the Covid-19 pandemic, the region appears to have managed to contain the outbreak and lead a path to full recovery.[5] We believe the region will likely continue to benefit from an improving global growth outlook on the back of vaccine advancements. We also see opportunity for renewables driven by an increasing ESG awareness and government investments in sustainable infrastructure.

Latin America

As a region, Latin America should uniquely benefit from a Covid-19 vaccine driven rally. Advances in vaccine development and distribution could boost investors' risk appetite, which would help commodity exporters such as Peru, Chile, and Brazil. Colombia would likely benefit from a recovery in oil prices, which could offset the country's fiscal woes. Although policy uncertainty could present a headwind, Mexico stands to benefit from a stronger relationship with the US stemming from the United States-Mexico-Canada Agreement (USMCA) and supply chain adjustments. Brazil stands out as a distinct growth story driven by significant monetary easing and fiscal reforms. Despite headwinds from social unrest and political instability in both Peru and Chile, Peru has shown to be attractive from a valuation perspective and Chile should be supported by low rates and their strong Covid-19 response. Despite the positive outlook on the region, Argentina's forecast remains clouded due to concerns over a return to subsidy-led wealth distribution and conflict with the IMF.

Eastern Europe, Middle East and Africa (EEMEA)

Emerging Europe has had some of the most attractive valuations across global equities. Russia, Saudi Arabia, and much of the Middle East seem well-positioned to benefit from a sustainable rebound in energy prices along with an improving global geopolitical picture. South Africa should be a key beneficiary of China's growth story and marginal improvements in its political outlook. In Turkey, we believe the market remains concerned about Central Bank independence and orthodoxy but could move quickly with any signs of improvement. We believe that Central Europe's outlook heavily relies on the economic picture in Western Europe. Overall, the region trades at depressed multiples with realistic near-term catalysts to drive re-ratings.

[5]Deutsche Bank (December, 2020).

Asia

General Overview

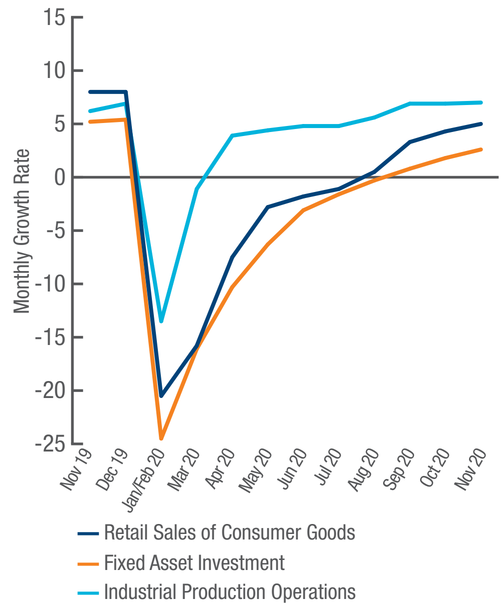
Similar to the rest of the world, Asian capital markets experienced unprecedented volatility from the Covid-19 pandemic. Several key events presented headwinds for the region in 2020. The US Senate passed the Holding Foreign Companies Accountable Act, the Chinese Government introduced the National Security Law in Hong Kong, and the US barred communication chip suppliers from selling to Chinese's company Huawei. Further, US-China tensions escalated due to the Trump administration announcing bans on TikTok and WeChat. However, the region was resilient. Asian equities were up year-to-date[6] and forecasted growth is strong.[7] Central bank policies in Asia remain accommodative and aim to keep liquidity plentiful, which we see as a strong tailwind for 2021.

China

Even though China was the first country hit by Covid-19, in subsequent months the country effectively managed to curb the spread of the virus and, as a result, experienced a robust economic recovery.

The improved outlook reflects the nation's recovery, a normalization trajectory with GDP growth forecasted at high single-digit figures, and its long-term structural growth opportunities. We continue to like structural domestic demand stories in mobile gaming, e-commerce, education, healthcare, and food delivery. With the US tightening restrictions on Chinese ADRs, more Chinese companies are looking at a Hong Kong listing. On a geopolitical front, while a Biden administration might result in a marginally less volatile attitude towards China compared to Trump, we still anticipate a sustained power struggle between the two nations. The US's bipartisan negative view of China will make it difficult for Biden to walk back on existing restrictions or pivot towards a significantly more conciliatory stance. China's 14th Five Year Plan and dual circulation strategy focus on driving growth through domestic demand, which should help support longer-term consumption trends and reduce the country's dependence on foreign markets.

Broad-based Recovery



Source: Bloomberg, Mirae Asset, November 2019.

At the UN General Assembly on September 22nd, President Xi pledged that China would achieve carbon neutrality before 2060. In the coming decades, the expectation is for a substantial transformation in China's energy mix and potentially a policy overhaul in environmental regulations. This announcement is the first time China has declared goals on carbon neutrality and demonstrates that the Chinese Government has begun to engage more on social and environmental issues. We expect that several Chinese companies will consider these new ecological concerns and apply them to their businesses; thus, ESG factors will become increasingly relevant in China.

[6]As of November 30, 2020.
[7]UBS (December, 2020).

Northeast Asia

We are increasingly optimistic on South Korea's outlook and potential growth recovery for 2021 and recent attractive valuations in select names. In July, the South Korean Government announced the "Korean New Deal: National Strategy for a Great Transformation." The Green New Deal portion of the policy calls for an expansion of solar panels and wind turbines as well as the installation of solar panels in 225,000 public buildings. With increasing ESG awareness and zero-carbon-emission policies from Europe and the United States, under a Biden administration, we believe renewables and companies at the forefront of the shift to renewables within their industry may benefit.

Taiwan has managed to keep the Covid-19 outbreak under control with normalization in activities. With the technology rally this year, Taiwan's tech sector performed exceptionally well. However, going into 2021, we are mindful of valuations and continue to be prudent when assessing these companies on a risk-reward basis.

South Korea's Green New Deal Policy

	2020-2022 GOVERNMENT INVESTMENT (₩ TRILLION)	2022-2025 GOVERNMENT INVESTMENT (₩ TRILLION)	JOB CREATION (THOUSAND)
Green New Deal Projects	19.6	42.7	659
Green transformation of city, space & life	6.1	12.1	387
Expansion of low carbon society	10.3	24.3	209
Building Green industry & innovative environment	3.2	6.3	63

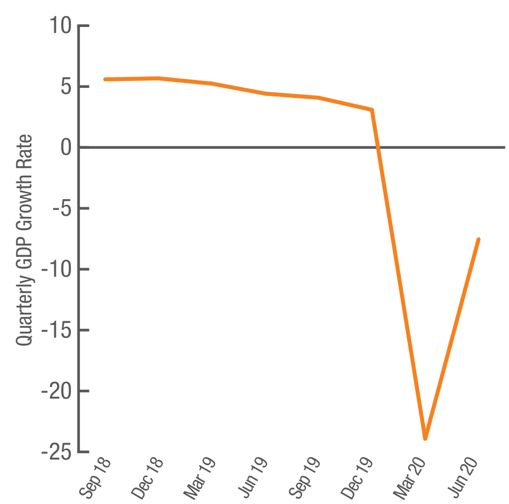
Source: MOEF, Citi Research, November 2020.

With increasing ESG awareness and zero-carbon-emission policies from Europe and the United States, we believe renewables and companies at the forefront of the shift to renewables within their industry may benefit.

India

When assessing India's growth trend, we believe that positive structural factors of demographics, reforms, and globalization will be critical. With the end of lockdowns and Covid-19 cases declining,[8] the markets should refocus on fundamentals. We believe markets have yet to realize the benefits of huge digitization and infrastructure investments like roads and electrification. We believe that the Indian Government's measured response on fiscal handouts was appropriate. The plan focused on direct cash transfers to vulnerable individuals and collateral-free automatic loans of US$40bn as an emergency credit line for small businesses. We anticipate short-term growth in India to remain somewhat slow for the next 3-4 months. Still, with sustained policy measures in place, we believe this will improve investor sentiment for domestic and international entrepreneurs, which should help support more meaningful improvements in GDP growth.

India GDP Growth — The Worst is Behind Us



Source: JP Morgan, November 2020.

Initially launched for mobile phone manufacturing, the Government extended its Production Linked Inventive (PLI) scheme to 10 sectors, with incentives amounting to about US$19.7bn over the next five years to promote domestic manufacturing. The sectors include automobiles and automobile components, advanced chemistry cell battery, steel products, ACs and LEDs, pharmaceutical drugs, telecom and networking products, electronic goods/technology projects, food processing, textiles, and solar PV cells. Not only should these schemes build up India's manufacturing ecosystem they are also expected to create significant direct and indirect jobs in India.

[8]WHO (December, 2020).

India's PLI Scheme — Mobile Phones Segment

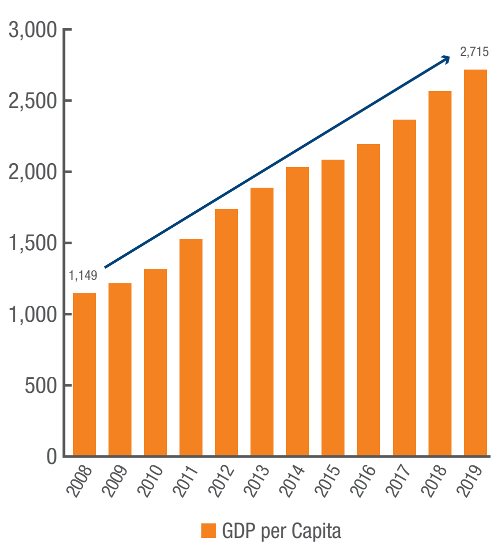
SEGMENT	INCREMENTAL INVESTMENTS OVER BASE YEAR
Mobile phones with invoice value of > 15,000 rupee	US$135.4m over four years
Mobile phones for all domestic companies	US$67.7m over four years
Specified electronic components	US$67.6m over four years

Source: National Investment Promotion & Facilitation Agency of India, November 2020.

The Association of Southeast Asian Nations (ASEAN)

Southeast Asian markets have broadly lagged the rest of their North Asian counterparts. Growth recovery was slow, and investors were somewhat cautious of ASEAN governments' ability to handle the Covid-19 outbreak. Foreign ownership in the ASEAN region remains low. Still, with the success of a vaccine, we believe the region can reverse its underperformance relative to North Asia in the coming quarters. Vietnam in particular is a country that boasts robust growth, accelerating job creation and income growth. We believe Vietnam is set to benefit from US-China trade tensions and we like consumption-oriented sectors as well as leading banks in the country. Structurally, reforms like the Indonesian Omnibus law and Vietnam Securities law should help revitalize the economy and attract long-term investment.

Vietnam GDP Per Capita Has More Than Doubled in the Decade



Source: Bloomberg, Mirae Asset October 2020.

Latin America

General Overview

Coming from depressed asset prices, Latin America should be one of the largest beneficiaries of synchronized global growth. Lower interest rates should support equities as local investors move capital out of cash and fixed income instruments in search of yield. A recovery in global activity led by a covid-19 vaccine combined with a weaker USD should support commodity prices, which could translate into foreign direct investment and job growth.

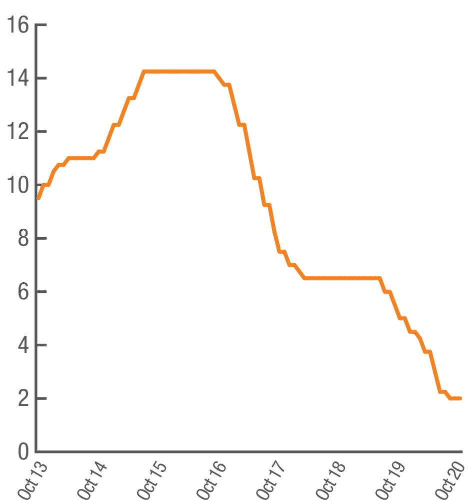
Brazil's outlook depends on the government's ability to manage its budget, which would strengthen international investor confidence and the BRL. Mexico should benefit from any recovery in the US. However, the uncertainty on President Lopez Obrador's policies in the second half of his mandate could keep the broad market at bay. Colombia's outlook relies on a rebound in energy prices, as its current fiscal deficit implies the need for higher taxes and lower growth. Chile and Peru should benefit from recent strength in metals prices leading to increased investment and GDP growth. That said, Peru potentially faces four presidents in less than six months and Chile is in the midst of a multi-year constitutional reform. We believe Argentina will face significant challenges for several years until elected officials shift back to economic orthodoxy.

With the success of a vaccine, we believe the ASEAN region can reverse its under-performance relative to North Asia in the coming quarters.

Brazil

After passing an ambitious pension reform last year, Brazil began making progress towards fiscal stability, but was interrupted the Covid-19 pandemic. As a response to the spread of Covid-19, the government enacted a BRL750bn fiscal package that included a loosening of fiscal targets, salary allowances, and relaxation of labor laws. Despite the setback to fiscal austerity, we maintain a positive outlook for the country; given the long-term drivers of growth remain intact. First, the record-low interest rate of 2%, following 1,225bps in rate cuts since 2016, should shift capital from fixed income to equities while also boosting borrowing and investment. Second, improved economic policies lobbied by Economy Minister Paulo Guedes provide the country a blueprint for long-term sustainability with a strong focus on future privatizations, trade liberalization, and further tax reform. Third, strong political continuity as President Bolsonaro's Covid-19 response has gained him public support. The anticipated recovery in job creation and positive GDP growth coupled with stable inflation should allow rates to remain lower for longer.

Brazil's Declining Selic Rate



Source: Bloomberg (October 2020).

Mexico

Mexico should remain a stock-picker's market, as the political and macroeconomic pictures remain uncertain. On the positive side, Mexico should benefit from a post-vaccine US economic recovery due to the country's supply chain integration with the US. The country should also profit from US companies moving their manufacturing away from China. The Central Bank has remained relatively hawkish this past year, which supported the peso during an uncertain time and left the country with firepower in the case they need to spur growth in the New Year. On the negative side, we see an uncertain political environment. President Lopez Obrador currently has full political support across the country and has stuck by his promise of no radical changes in his first three years in office. We are growing concerned that with three more to go, he will try to move forward with backtracking the 2014 Energy Reform, introduce rate caps on banks, and raise taxes for the corporate sector. Next year Mexico will hold the largest elections in its history, voting for 15 governorships, roughly 2,000 municipalities, over 1,000 local congressional seats, and the full Federal Congress. A move against the President could lead to gridlock and de-risk the chances of unorthodox economic policies.

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Andean Region (Colombia, Peru, Chile, and Argentina)

Though all four Andean countries face challenges heading into 2021, we believe Peru, Chile, and Colombia could see substantial price improvement from a rebound in global demand and activity.

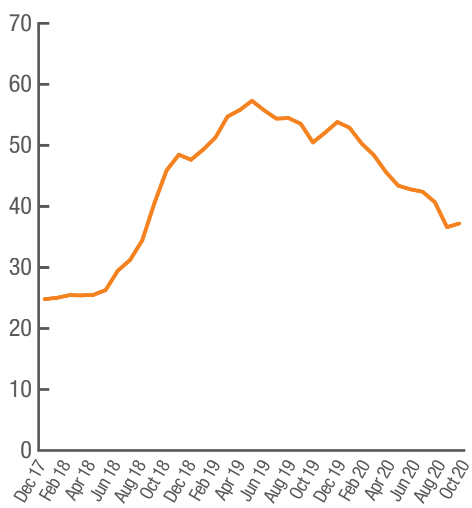
With a minimum of three years left under Fernandez and Kirchner leadership, Argentina appears to face the most significant challenges in the region. The country's Covid-19 lockdown measures have been the most restrictive in the region, but they cannot afford the economic implications of another shutdown. The country faces a -12% GDP growth estimate for 2020, and the fiscal deficit is estimated to reach 9% of GDP. Argentina requires foreign investment to stimulate growth, but with 40%+ inflation, price and capital controls, IMF turbulence, and unorthodox political leadership, foreign investors are likely to remain on the sidelines. Argentina will hold midterm elections in 2021, which could serve as a trigger for change.

Peru appears well-positioned for growth in the region, though currently suffering from political instability. Congress has just elected Francisco Sagasti as the country's new president following President Vizcarra's recent impeachment. President Sagasti represents a centrist party, Partido Morado, and should bring stability during uncertain times. Peru's next presidential election comes in April of 2021. Mr. George Forsyth, the mayor of La Vitoria District in Lima and former professional soccer player, currently leads in the polls. The public sees Mr. Forsyth as the most market friendly candidate. We believe that recent political turmoil will help his campaign, as voters are looking for an independent political outsider. High prices for copper and gold should also stimulate growth in Peru. Mining activity typically lags price increases by six to nine months, and we expect increased investments are coming in the New Year. Additionally, Peru boasts relatively low debt to GDP levels and has room for increased fiscal stimulus.

Chile faces a similar outlook as Peru. Higher copper and iron ore prices should stimulate a pick-up in mining, which could drive GDP growth. The country has also been the most successful in Latin America in terms of battling Covid-19. Yet, the government continues to carry out its constitutional reform process, which could take two more years to settle. We anticipate the reform will reflect more influence from left-leaning parties, which would imply an increase in fiscal spending and require more taxes. At 27%, Chile has some of the lowest tax rates in the region, but an imminent increase will bode poorly for marginal earnings expectations.

Finally, Colombia continues to face a difficult fiscal situation. Similar to the last oil cycle bottom, Colombian asset prices could take years to recover. With a fiscal deficit approaching 9%, the government cannot stimulate the economy with counter-cyclical measures. The government may have to raise taxes in order to offer stimulus relief, which could strain corporations and individuals. On the positive side, a global Covid-19 recovery could drive up energy prices, which we believe would lift the Colombian equity market.

Argentina National Inflation YoY (%)



Source: Bloomberg (October 2020).

EEMEA

General Overview

EEMEA boasts a wide range of opportunities based on discounted multiples, a rebound in global demand for natural resources, improving geopolitical rhetoric, and sound domestic consumption stories. We are most optimistic about Russia, driven by a combination of attractive valuations and macroeconomic tailwinds. We also see fundamental opportunities in Greece. Turkey appears attractive, but political uncertainty translates into a more difficult investment scenario. South Africa remains structurally challenged, but we believe the market could rally as flows move back into more cyclical countries. We believe that Poland, Czech Republic, Romania, and Hungary, have strong domestic structural stories, but the lack of stability around Brexit and the European Union looms over their outlooks.

Russia

Though many investors have sold out of Russia due to concerns surrounding increased sanctions from a Biden administration, we believe this is an opportunity for stock-pickers to build larger positions. Biden's victory signals more US fiscal stimulus, which leads to a weaker USD, which is pro-cyclical and positive for Russian assets. In addition, increased regulation in the oil and shale industries would limit global supply and support energy prices, which is also positive for Russian assets. Politically, we believe that Biden wants a change in US-Russian relations. As the former head of the Senate Foreign Affairs Committee, the President-elect understands that broad punishments do not carry as much negotiating power as targeted moves against individuals. Targeted actions from the new administration would remove the overhang of broad economic sanctions against Russia and allow investors to focus on fundamentals again. In that regard, Russian equities remain attractive.

Russian corporates have spent the last few years moving toward conservative balance sheet models with average debt to equity levels now below 20%. As low leverage inflates the weighted average cost of capital (WACC), we believe that corporates could dramatically increase dividend payouts to shareholders. Not only will this be attractive for investors looking for cash flow in a global low-interest rate environment, but it could also reduce WACC levels and increase valuation targets. With the average dividend yield already above 7%, according to Bloomberg, it is unlikely the market will allow yields to rise much higher, leading us to believe that upward price movements could be forthcoming.

South Africa

We are turning marginally less negative on South Africa entering 2021. With discounted valuations and exposure to Chinese demand, the country should benefit from a global rebound. Evidence towards positive reforms related to energy, telecom, and corruption remains the keystone for the restoration of both confidence and market interest in the country. The proposed Medium Term Budget Policy Statement (MTBPS) showed a commitment to expenditure cuts. Progress on wage negotiations would be the first market signal that the country is following through on these much-needed fiscal reforms. We also view the implementation of the country's infrastructure investment plan as a positive catalyst for 2021. However, South Africa's recovery will be hampered by the massive job losses during the Covid-19 pandemic, which were nearly 2x greater than during the Great Financial Crisis. Although equity valuations are low compared to historical standards, the uncertainty surrounding a recovery beyond 2021 will keep the market subdued until we see increased clarity on government and fiscal reforms.

Turkey

Turkey has continued to face a challenging environment driven by political interference at the central bank, geopolitical uncertainty concerning actions in Syria and disputes with Greece, trade imbalances that have contributed to currency depreciation and inflation. The recent appointment of a new Central Bank Governor has spurred optimism for more conventional monetary policy, but history has shown it is only a matter of time before the executive branch inputs its unconventional influence on monetary policy again. We note that the next Presidential election is not until 2023. On the bright side, Turkey has benefited from its cheap valuation and under-owned market status. Like South Africa, Turkey should benefit from vaccine success spurring a recovery in tourism.

Middle East and Northern Africa (MENA)

Kuwait, which was upgraded from the Frontier to the Emerging Market Index remains a niche investment case. In Northern Africa, Egypt stands out as an attractive investment case with tailwinds from a potential recovery in tourism. The country has experienced recent rate cuts that brought the key rate to 8.25%, and inflation has remained well below the lower 9% bound. After setting an ambitious reform agenda that sought to diversify the Kingdom away from a hydrocarbon driven economy, Saudi Arabia was impacted by the steep decline in oil prices resulting from the Covid-19 pandemic. Monetary easing has softened the shock, but the Government is now shifting its focus from fiscal support towards stability and long-term reform pledges. In turn, we expect Government-led initiatives to be the main economic driver next year with policies such as zero-interest liquidity measures for banks, continued support for large-scale housing, and infrastructure spending to boost demand. We believe the United Arab Emirates will perform largely in-line with energy prices and tourism.

Emerging Europe

The CE4 which includes Poland, Czech Republic, Romania, and Hungary should see a strong recovery beginning in 2021 with further acceleration into 2022 as the EU Recovery Fund disburses to member countries. Poland, a key beneficiary of the fund, will also benefit from deeper integration into EU supply chains. Despite recent confrontations with the EU, Hungary should see a more robust recovery next year, given their more open economy versus peers. However, we see risk of inflation volatility with only a gradual easing in fiscal support given general elections in 2022. The Czech Republic is likely to experience ongoing impacts as they return to lockdowns going into 2021. However, we should see a strong recovery in the second half of 2021 given the export oriented nature of their economy. Despite the positive outlook, we continue to monitor for headwinds around nationalism, immigration policies, and political instability, which might create volatility for the region's structural growth.

Despite the pandemic, Greece has continued to make progress towards stability. Ongoing reforms have improved institutional strength and brought tangible benefits in tax administration and the fight against corruption. The country also announced a 3.3 billion euro fiscal package that includes benefits to employees, Value Added Tax (VAT) suspension for impacted businesses until April 2021, an extension of unemployment benefits, rent reductions, and working capital loans. Greece should also be a key beneficiary from the EU Recovery Fund, which will likely coincide with a recovery in tourism, bringing much-needed relief to the country as the industry represents about 20% of Greek GDP and about 20% of employment. However, we caution that potential conflict with neighboring Turkey could bring headwinds back in 2021.

> After setting an ambitious reform agenda that sought to diversify the Kingdom away from a hydrocarbon driven economy, Saudi Arabia was impacted by the steep decline in oil prices on the back of the Covid-19 pandemic.

DEFINITIONS

Association of Southeast Asia Nations (ASEAN) is the organization of countries in Southeast Asia set up to promote cultural, economic and political development in the region.

Basis Point (bp) is a unit that is equal to 1/100th of 1% and is used to denote the change in the value or rate of a financial instrument.

Compound Annual Growth Rate (CAGR) is the mean annual growth rate of an investment over a specified period of time longer than one year.

Consumer Price Index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households.

Current Account Deficit (CAD) is when a country imports more goods, services, and capital than it exports.

Earnings Per Share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

MSCI All Country World Index (ACWI) Index captures large and mid cap representation across 23 Developed Markets (DM) and 26 Emerging Markets (EM) countries. With 3,060 constituents, the index covers approximately 85% of the global investable equity opportunity set. You cannot invest directly into an index.

MSCI Emerging Markets (EM) Index captures large and mid cap representation across 24 EM countries in Eastern Europe. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. You cannot invest directly into an index.

MSCI Emerging Markets ESG Leaders Index captures large and mid cap companies across 26 emerging market countries with high Environmental, Social and Governance (ESG) performance relative to their sector peers. You cannot invest directly into an index.

MSCI World Index captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,600 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. You cannot invest directly into an index.

Price-to-book (P/B) ratio is the ratio used to compare a stock's market value to its book value.

Price/earnings (P/E) ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Return on Equity (ROE) is a measure of profitability that calculates how many dollars of profit a company generates with each dollar of shareholders' equity.

Selic Rate the weighted average interest rate of the overnight interbank operations carried out at the Special System for Settlement and Custody in Brazil.

Standard Deviation is a statistical measure of volatility and is often used as an indicator of the 'risk' associated with a return series. Standard deviation of return measures the average deviations of a return series from its mean.

Weighted Average Cost of Capital (WACC) is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds, and any other long-term debt, are included in a WACC calculation.