

Global Emerging Markets Update



Economic and market overview

Performance in emerging markets was mixed in February. Latin America was lifted by firmer commodity prices and an upbeat economic outlook. However, persistent doubts over the global recovery weighed on emerging Europe and Asia, even though fears over Greek debt contagion receded. The Federal Reserve's unexpected decision to raise its discount rate, in particular, stoked concerns of the early unwinding of stimulus measures elsewhere.

On the economic front, Taiwan and Thailand posted robust fourth-quarter growth helped by strong exports to China. Elsewhere, manufacturing activity continued to expand in January. On the flip side, Mexico's GDP fell sharply in 2009, while India's growth cooled in the December quarter. In the Budget, the Indian government kept stimulus measures in place, but also committed to reining in its deficit.

Amid rising inflationary pressures, Brazil and China's central banks raised local lenders' reserve requirements, while Hong Kong moved to cool its property market. Other central banks held interest rates steady.

In other news, a devastating earthquake killed hundreds in Chile. Turkey's stocks fell after the arrest of a group of military officers over alleged sedition renewed political uncertainty. In Ukraine, Viktor Yanukovich was inaugurated as president.

The near-term outlook remains unclear. Developing economies have rebounded convincingly, though this has been due in large part to government stimulus. Rising inflation could lead governments here to normalise policy, with interest rates likely to tick upwards. Set against this, loose global monetary policy has been supportive of fund flows. In the developed countries, economic recovery remains fragile. Growth in Europe faltered in the fourth quarter, while a genuine pickup in private demand in the US is still elusive. As well, the threat of rising deficits and sovereign debt contagion persists.

Markets are likely to remain volatile as a result. Nevertheless, the current headwinds provide a great opportunity to pick up reasonably valued emerging market stocks, as the long-term outlook for the asset class, buttressed by stable financial systems, low debt levels and rising affluence, remains compelling.

Portfolio activity

During the month, we introduced Bank Pekao, a well-managed Polish lender with reasonable growth prospects and decent valuations.

Corporate news

Argentina: Tenaris' revenue declined 30% in 2009, but we continue to like the company because of its healthy balance sheet and sound management.

Brazil: Fourth-quarter results were mostly positive: **Lojas Renner** was boosted by better revenue and **Ultrapar** benefited from strong fuel sales at Ipiranga, but **Vale** reported weak results on the back of high costs. In other news, **Multiplan** will renew its share buyback programme for another year; the company also announced a greenfield project in Rio de Janeiro that will add more rental space to its portfolio. **Petrobras'** plan to raise US\$30 billion in a share sale to pay for the rights to oil deposits was approved by Brazil's lower house. **Souza Cruz** will invest 1.8 billion reais over the next five years.

China/Hong Kong: Swire Pacific sought approval from the stock exchange to spin off and list its property arm. It may raise US\$3 billion to invest in Hong Kong and mainland properties.

Hungary: Hotel operator **Danubius'** full-year losses were compounded by its poor performance in the fourth quarter.

Global Emerging Markets Update

India: Corporate results for the December quarter were largely resilient: **Housing Development Finance Corp's** net interest margins expanded despite softer interest rates; **Grasim Industries'** cement and viscose staple fibre businesses were lifted by steady demand and healthy prices; **GlaxoSmithKline** saw broad-based growth across its business units; and higher volumes and lower raw material costs drove **Hindustan Unilever's** profits.

Israel: Robust international sales underpinned **Teva Pharmaceutical's** full-year earnings.

Korea: Fourth-quarter results were mixed. **Daegu Bank** was hurt by its exposure to Kumho Group's losses, though its core operating performance was encouraging. Conversely, **Samsung Electronics** benefited from its semiconductor and LCD divisions. The company has a 3% share of the global mobile handset market and aims to triple shipments of smart phones this year.

Malaysia: **CIMB Group Holdings'** results exceeded our expectations, with profit before tax driven by higher income from treasury and investments, as well as better contribution from CIMB Niaga. In addition, the group proposed a one-for-one bonus issue to improve liquidity and align the quoted share price to the pricing conventions set by the Stock Exchange of Thailand, ahead of its proposed dual listing in Bangkok.

Mexico: **Femsa** reported strong fourth-quarter results with solid sales growth. **Asur's** results in the same quarter met expectations, but traffic volumes in January fell from a year ago.

Philippines: The fall in **Ayala Land's** 2009 net income was due largely to lower property sales. The **Bank of the Philippine Islands** saw net income rise 33% in 2009, while fourth-quarter profits grew 7% year-on-year.

Russia: An independent audit of **Lukoil's** oil and gas reserves confirmed its market leadership.

South Africa: **Truworths** reported decent interim results with net income rising 10% from a year ago.

Taiwan: **TSMC** recorded its highest net profits in two years, underpinned by a recovery in global chip demand. Meanwhile, the bulk of its US\$4.8 billion capital expenditure budget for 2010 has been earmarked for leading edge technology. **Taiwan Mobile's** results met expectations, with rising cable revenue making up for a contraction in its mobile business.

Turkey: Turkish bank results were broadly positive as they benefited from their bond portfolios' falling yields. **Akbank**, for example, reported a 60% boost in 2009 profits.

We hold the companies highlighted above.

Global Emerging Markets Update

Performance of Global Emerging Stock Markets (%)

REGION/COUNTRY	INDEX/FUND	MOM	USD DOLLARS		LOCAL CURRENCY		
			3M	YTD	MOM	3M	YTD
DEVELOPED MARKETS							
US	Dow Jones	2.95	0.48	-0.47	2.95	0.48	-0.47
UK	FTSE Allshare	-1.60	-3.30	-5.91	3.42	4.07	-0.27
Europe	FT Europe ex UK	-2.43	-7.81	-8.70	-0.97	0.35	-4.59
World	MSCI AC World Free	1.31	-1.01	-3.05	1.71	1.66	-2.05
World	Citigroup World Government Bond	0.25	-4.67	0.38	0.25	-4.67	0.38
ASIA PACIFIC							
EM Asia	MSCI Emerging Markets Asia	0.06	-1.59	-5.89	0.05	-1.81	-6.05
	MSCI Emerging Markets Asia Small Cap	0.20	1.73	-4.91	0.21	1.40	-5.11
China	MSCI China	2.19	-6.20	-6.63	2.16	-6.04	-6.52
Hong Kong	MSCI Hong Kong	3.91	-0.91	-2.94	3.87	-0.74	-2.82
	MSCI Zhong Hua	2.70	-4.68	-5.56	2.66	-4.52	-5.45
India	MSCI India	1.35	-0.66	-4.02	1.21	-1.53	-4.90
Indonesia	MSCI Indonesia	-3.66	3.91	-1.71	-3.81	2.59	-2.34
Korea	MSCI Korea	-0.53	3.06	-4.86	-0.69	2.80	-5.24
Malaysia	MSCI Malaysia	0.87	0.62	-0.01	0.71	1.01	-0.55
Pakistan	MSCI Pakistan	0.73	2.90	2.16	0.89	4.73	2.97
Philippines	MSCI Philippines	5.81	2.34	-0.39	4.95	-0.02	-0.61
Sri Lanka	MSCI Sri Lanka	-4.01	10.85	-3.74	-4.03	11.06	-3.56
Taiwan	MSCI Taiwan	-3.67	-2.23	-9.91	-3.29	-2.55	-9.67
Thailand	MSCI Thailand	4.35	6.05	-1.19	3.94	5.48	-2.01
GLOBAL EMERGING MARKETS							
Global Emerging Markets	MSCI Emerging Markets	0.37	-1.45	-5.21	-0.15	-0.52	-4.52
	MSCI Emerging Markets Small Cap	0.25	2.90	-3.44	0.24	3.41	-2.93
EMERGING MARKETS EUROPE MIDDLE EAST AFRICA							
EMEA	MSCI EMEA	-2.93	0.90	-3.55	-2.31	3.30	-2.17
	MSCI EMEA Small Cap	-1.80	5.74	0.21	-0.50	8.29	2.56
Czech Republic	MSCI Czech Republic	-4.44	-7.51	-2.50	-3.45	1.04	0.71
Egypt	MSCI Egypt	1.46	16.79	8.88	1.89	17.05	8.98
Hungary	MSCI Hungary	-5.06	-5.57	-4.39	-3.85	2.16	0.26
Morocco	MSCI Morocco	-0.70	2.30	3.57	0.86	10.63	7.89
Poland	MSCI Poland	-5.05	-8.42	-6.11	-5.45	-4.48	-5.27
Russia	MSCI Russia	-5.24	0.20	-2.98	-6.33	2.16	-4.05
South Africa	MSCI South Africa	-0.34	-0.91	-5.61	1.24	2.19	-1.76
Turkey	MSCI Turkey	-12.39	7.19	-10.41	-9.35	8.03	-7.88
MIDDLE EAST							
Bahrain	Bahrain All Share Index ^A	2.69	5.54	4.10	2.69	5.54	4.10
Kuwait	Kuwait Stock Exchange Index ^A	4.30	4.74	4.40	5.03	6.42	5.33
	MSCI Kuwait	21.02	11.62	14.23	21.06	12.94	14.68
Oman	Muscat Securities Market Index ^A	2.27	5.23	5.02	2.41	5.22	5.03
Qatar	Doha Securities Market Index ^A	4.82	-4.32	-1.08	4.79	-4.46	-1.24
	MSCI Qatar	7.00	-1.19	1.79	6.85	-1.34	1.63
Saudi	Tadawul All Share Index ^A	2.96	1.29	5.18	2.96	1.29	5.16
UAE - Abu Dhabi	Abu Dhabi Securities Market ^A	2.67	1.33	-1.46	2.67	1.32	-1.46
UAE - Dubai	Dubai Financial Market General Index ^A	0.18	-17.90	-11.68	0.18	-17.91	-11.68
	MSCI UAE	-5.21	-14.93	-14.48	-5.21	-14.95	-14.48
Israel	MSCI Israel	2.18	8.45	2.50	3.66	8.10	2.25
Jordan	MSCI Jordan	-6.27	-7.93	-7.33	-6.27	-7.93	-7.27

Global Emerging Markets Update

REGION/COUNTRY	INDEX/FUND	MOM	USD DOLLARS		LOCAL CURRENCY		
			3M	YTD	MOM	3M	YTD
LATIN AMERICA							
Latin America	MSCI Latin America	4.20	-3.09	-5.04	1.44	-0.54	-2.81
	MSCI Latin America Small Cap	4.21	5.66	0.07	1.75	8.55	2.36
Argentina	MSCI Argentina	-4.73	-3.71	-7.77	-4.73	-3.71	-7.77
Brazil	MSCI Brazil	4.55	-5.36	-6.88	1.06	-1.99	-3.37
Chile	MSCI Chile	-0.98	10.96	2.20	-0.47	17.86	6.27
Colombia	MSCI Colombia	4.52	10.39	6.88	1.77	6.70	1.06
Mexico	MSCI Mexico	4.25	0.50	-2.25	2.63	-0.52	-4.36
Peru	MSCI Peru	7.85	-9.39	-3.04	7.85	-9.39	-3.04
FRONTIER MARKETS							
	MSCI Frontier Markets	5.57	2.26	3.33	5.86	3.80	4.09
Botswana	MSCI Botswana	3.96	1.84	6.48	6.09	7.28	11.03
Bulgaria	MSCI Bulgaria	-5.05	-11.59	-4.76	-3.28	-2.74	0.14
Croatia	MSCI Croatia	-0.91	0.89	4.55	0.65	10.69	9.88
Estonia	MSCI Estonia	-14.38	18.80	27.78	-12.80	30.69	34.34
Ghana	MSCI Ghana	6.39	5.79	7.61	6.07	5.66	7.25
Jamaica	MSCI Jamaica	19.50	3.18	-1.09	19.57	3.41	-0.70
Kazakhstan	MSCI Kazakhstan	-3.95	1.62	-2.85	-3.95	1.62	-2.85
Kenya	MSCI Kenya	-1.59	6.61	7.15	-0.36	9.48	8.57
Lebanon	MSCI Lebanon	1.50	-2.55	-2.64	1.50	-2.55	-2.64
Lithuania	MSCI Lithuania	-5.21	7.58	12.75	-3.46	18.35	18.54
Mauritius	MSCI Mauritius	-8.53	-7.50	-6.15	-6.40	-3.74	-5.07
Nigeria	MSCI Nigeria	3.30	12.93	12.06	2.90	14.53	12.70
Romania	MSCI Romania	-1.04	-0.26	7.26	0.99	5.68	9.46
Serbia	MSCI Serbia	4.36	-5.98	4.85	7.74	8.96	14.57
Slovenia	MSCI Slovenia	-5.09	-12.86	-5.63	-3.33	-4.13	-0.79
Tunisia	MSCI Tunisia	-2.81	3.61	1.64	-0.67	12.28	6.68
Ukraine	MSCI Ukraine	10.30	11.80	19.55	9.83	11.54	19.04

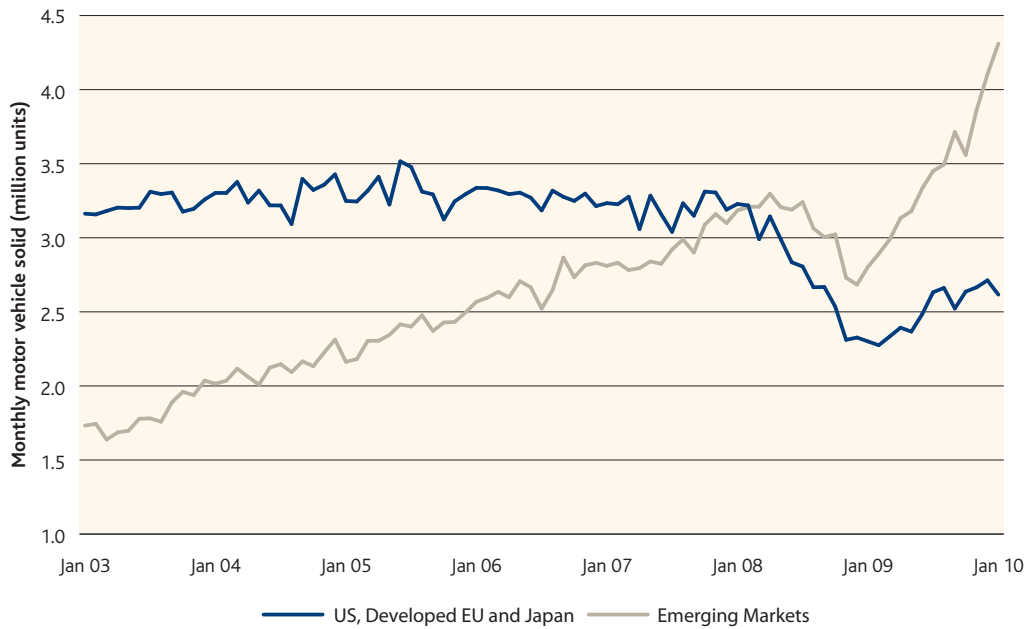
As at 28 February 2010.

All performance are measured using total return except for those marked ^A.

Source: Bloomberg

Global Emerging Markets Update

Focus – Vehicle sales soar to new heights



Source: CEIC, Haver, UBS estimates, 3 March 2010.

Vehicle sales in emerging markets have rebounded to new highs. In India, for example, passenger car sales rose 32% year-on-year in January to a record 145,905 units. Rising affluence and greater availability of low-cost loans have helped sales, which in turn should boost fuel and infrastructure demand. Our core holdings, from Petrobras and PetroChina to Standard Chartered and Astra International, stand to benefit from these convergent trends.

Global Emerging Markets Update

During the month, we met with the following companies:

Brazil: BR Properties.

Hong Kong: Hang Lung Properties.

Hungary: Gedeon Richter.

Israel: Israel Corp.

Kenya: East African Breweries.

Lebanon: Blom Bank.

Mexico: ARA, Contal, Urbi Desarrollos.

Oman: Bank Muscat.

Romania: BRD.

Russia: Lukoil, MMK, Sberbank, Synergy Group.

Turkey: Sabanci Holdings.

Global Emerging Markets Update

Important information

This document has been prepared by Aberdeen Asset Management Limited ABN 59 002 123 364 AFSL No. 240263 and Aberdeen Investment Management Australia Limited ABN 57 007 305 384 AFSL No. 238390 (together "Aberdeen").

This is not an offer of securities or financial products, nor is it financial product advice. Any Fund referred to is a registered managed investment scheme managed by Aberdeen. A Product Disclosure Statement (PDS) is available and can be obtained by calling Aberdeen Client Services on 1800 636 888, online at www.aberdeenasset.com.au, or from your financial adviser. Applications can only be made on the application form contained in the current PDS. This document has been prepared without taking account of your individual objectives, financial situation or needs. You should obtain and consider the PDS before deciding whether to acquire, or to continue to hold units in the Fund.

Neither Aberdeen Asset Management PLC, Aberdeen Asset Management Limited, Aberdeen Investment Management Australia Limited nor any other entity guarantees the performance of the Fund or the repayment of capital invested in the Fund. Investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Past performance is not a reliable indicator of future results.

Although non-Fund specific information has been prepared from sources believed to be reliable, we offer no guarantees as to its accuracy or completeness. Any performance forecasts are not promises of future performance and are not guaranteed. Opinions expressed may change. All dollars are Australian dollars unless otherwise specified. All indices are copyrighted by and proprietary to the issuer.