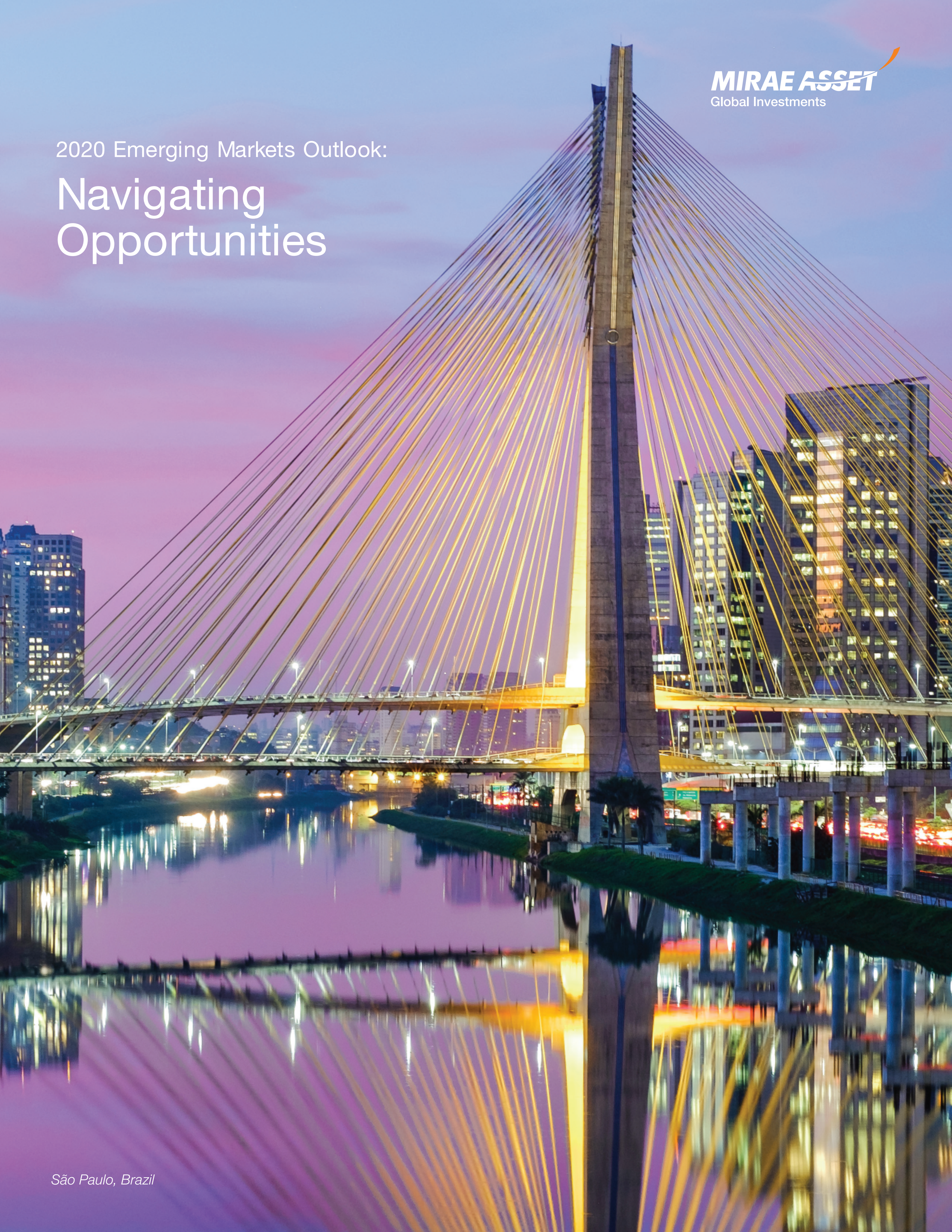
MIRAE ASSET
Global Investments

2020 Emerging Markets Outlook:

Navigating Opportunities



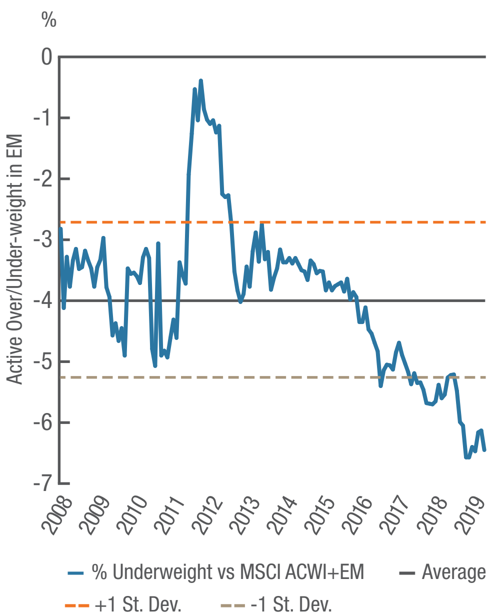
São Paulo, Brazil

Executive Summary

Emerging Market (EM) equities show significant potential for a 2020 rerating. With global investors still roughly 700 basis points underweight the asset class, EM equities have remained unpopular and underinvested. This active underweight is over one and a half standard deviations below its historical average, which we believe could revert to the mean in the near future. Structurally, the asset class looks attractive, with EM equities trading at a significant discount to developed market (DM) equities. The return profiles for the two asset classes are roughly equal, but EM boasts both higher growth and higher dividend yields. We believe that prices have dislocated from fundamentals and that EM equities are positioned for a significant rally in the coming year. The key catalysts for this convergence should come in the form of a tepid to weaker US dollar (USD), a US-China trade resolution, and a managed Brexit.

On a regional basis, we continue to favor a domestic secular driven growth story in China and companies that benefit from government reforms in India. We see Latin America and Eastern Europe, Middle East & Africa (EEMEA) as under-owned regions (if the average global equity investor has approximately a 5% weighting to EM and Asia represents roughly 72% of the asset class, then the average investor only has around 1.4% allocated to Latin America and EEMEA combined) and find compelling stories in both Brazil and Russia.

EM Underweight in Global Portfolios



Source: EFPR Global, Thomas Reuters Datastream, HSBC calculations, Mirae Asset. Data as of 8/31/19.

The return profiles for the two asset classes are roughly equal, but EM boasts both higher growth and higher dividend yields.

Key Events & Trends

EM Consumption

The structural opportunity in emerging markets remains robust. Rising income patterns not only drive higher consumption, but also create higher-paying service-led jobs, which usually expands the middle class and leads to a self-fulfilling cycle. The rising number of middle class consumers across EM is set to transform the global economic landscape for decades. This presents a unique investment opportunity based on demographics, urbanization, spending patterns, living standards, and technological leaps. Currently, 44% of EM citizens are under the age of 25 and the urban population is growing around 11% per year.[1] We believe that adjustments in spending patterns will lead to positive earnings revisions across various themes including financial inclusion, technology, travel, healthcare, education, and consumption across EM.

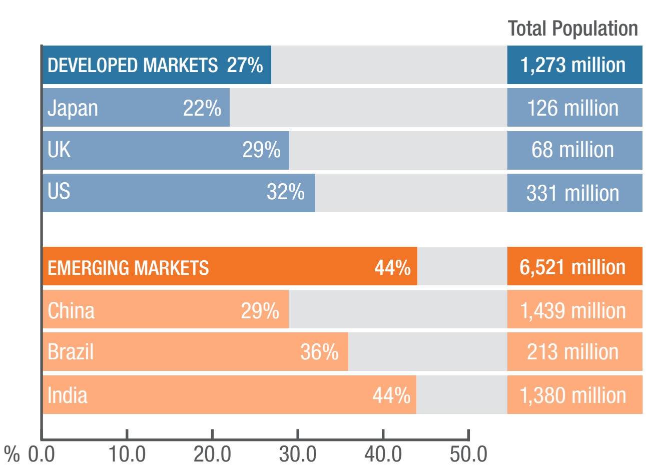
US Dollar Outlook

We forecast a tepid to weaker USD vs. EM currencies based on (1) Fed easing leading to lower interest rate differentials, causing US treasury investors to search for yield in EM, (2) diminishing probability for a hard Brexit leading to an unwind of the long USD, short EUR and GBP trades, and (3) increasing odds for a US/China trade resolution, which could strengthen the RMB and other EM currencies reliant on Chinese demand. In addition, the US continues to grow its fiscal and trade deficits despite diminishing GDP growth. We believe that investors will pay attention to fundamentals and that some or all of these drivers could lead to a weaker USD.

US-China Trade

While a final trade deal between the US and China remains elusive, there has been strong progress and the market has grown optimistic the two countries can reach a "Phase 1" deal. Even with a more pessimistic view, it is important to note that total Chinese exports to the US only make up 3.5% of China's GDP. US exports to China are even less, summing up to just 60 basis points of GDP. The headline risk has grown larger than the economic impact. Furthermore, both countries have taken steps to mitigate the impact on their respective domestic economies via monetary and fiscal stimulus. With respect to whether China would prefer to wait and see how the US Presidential election turns, we believe that the Chinese would rather negotiate with President Trump than an unknown. Leading Democratic candidates have all taken a "tough on China" stance and historically, the party has shown more interventionist international policies than the current administration. This gives us reason to believe that a deal, in one form or another, could come sooner rather than later.

Percent of Population Under the Age of 25



Source: United Nations. Department of Economic and Social Affairs, Population Division. World Population Prospects 2019.

China-US: Exports & GDP (2018)

China GDP (US$ billions)	CHINA OVERALL EXPORTS		CHINA EXPORTS TO THE US	
	US$ (in billions)	% of GDP	US$ (in billions)	% of GDP
$13,595	$2,487	18.3%	$478	3.5%

US GDP (US$ billions)	US OVERALL EXPORTS		US EXPORTS TO CHINA	
	US$ (in billions)	% of GDP	US$ (in billions)	% of GDP
$20,533	$1,664	8.1%	$122	0.6%

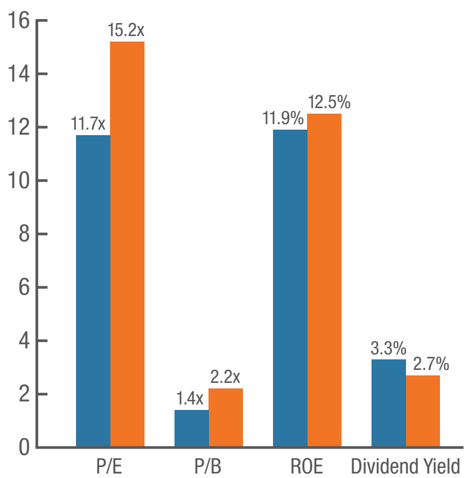
Source: Bank of America Merrill Lynch.

[1] United Nations, Department of Economic and Social Affairs, World Population Prospects 2019.

EM Fundamentals

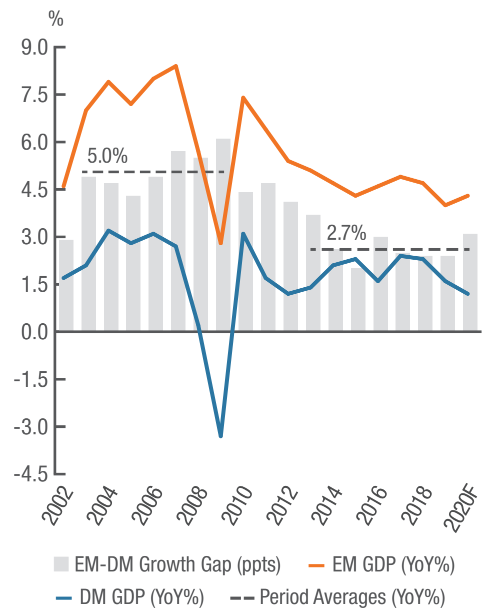
EM equities are trading at a 36% discount to their DM peers on a price-to-book basis.[2] This number is more than one standard deviation below its 10 year historical average. This is especially notable when considering EM boasts higher growth rates, and higher dividend yields with a similar return profile. Marginal growth rates are also important. The International Monetary Fund (IMF) forecasts GDPs in DM economies to contract, and for EM rates to expand. This means that there are significant opportunities to find securities trading below their intrinsic values.

EM vs DM Valuation and Return Metrics



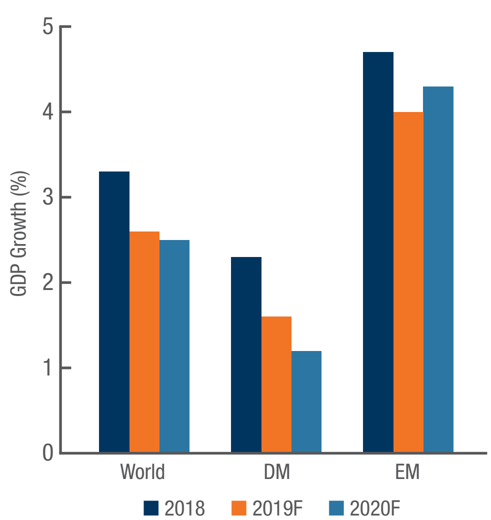
Source: Bloomberg, 2020 estimates. As of 9/30/19. EM is represented by the MSCI EM Index. DM is represented by the MSCI World Index.

EM vs DM Growth Gap is Expected to Widen in EM's Favor



Source: IMF, HSBC. F=Forecast. Forecast numbers are projections and not guarantees.

EM Growth is Expected to Pick Up in 2020



Source: IMF, HSBC. F=Forecast. Forecast numbers are projections and not guarantees.

The International Monetary Fund forecasts GDPs in DM economies to contract, and for EM rates to expand.

[2]Bloomberg, as of 9/30/19.

Regional Overview

Asia Pacific

After a tough second half in 2018, Asian markets rebounded in 2019. We believe the region will continue to perform well in 2020 due to reduced US-China trade tensions and an improving global growth outlook with key central banks expanding their respective balance sheets. In addition, monetary easing in India and ASEAN is likely to aid a growth recovery in 2020.

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Latin America

As a region, Latin America should benefit from any sort of US-China trade resolution along with higher global growth. Brazil, the region's largest economy, stands out as an idiosyncratic growth story driven by significant monetary easing and fiscal reforms. Peru looks more attractive from a valuation perspective after political unrest in 2019. Chile has also pulled back due to social unrest, while Argentina's solvency remains a question mark as the country returns to subsidy-led wealth redistribution. In between, we find Colombia and Mexico, whose current fiscal outlooks remain opaque.

Eastern Europe, Middle East and Africa (EEMEA)

Eastern Europe continues to boast some of the best valuation and economic growth pictures in the region, but geopolitics could, ultimately, serve as the main driver of asset prices. Middle Eastern countries are exhibiting increasingly prudent economic policies, supported by relatively stable oil prices, while African countries continue to want for structural reforms that may help bring further investment into the region.

Headwinds and Tailwinds Across the Emerging Markets

Headwinds

- EU fragility (e.g.: Brexit, Italian fiscal position and Polish politics)
- Geopolitical-based tariffs and sanctions
- Weakness in DM consumers

Tailwinds

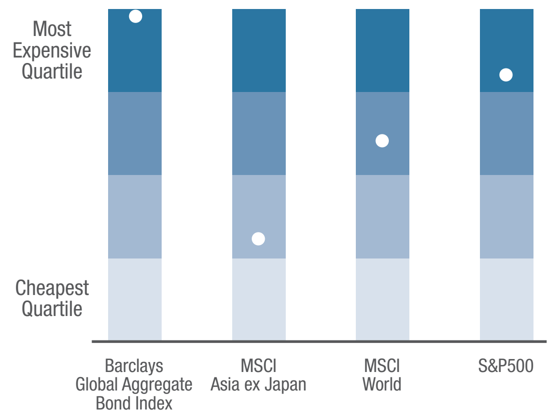
- Potential US-China trade resolution
- Global low interest rate environment
- China' stimulus policy taking effect on the real economy
- Passing of new trade deals including USMCA

Asia

General Overview

We continue to be constructive on Asia due to an improving global growth outlook and consider Asian equities attractive on a risk–reward basis. Asian equities are up year-to-date,[3] but the returns are skewed by the strong performance of China A shares as a result of MSCI inclusion. Attractive, underappreciated investment opportunities continue to exist outside the strong performers of 2019. As growth becomes more broad-based and risk aversion normalizes with no further trade escalation between the US and China, we believe investors would seek opportunities outside a limited set of stocks.

Asian Equities vs the Rest (since 1995)

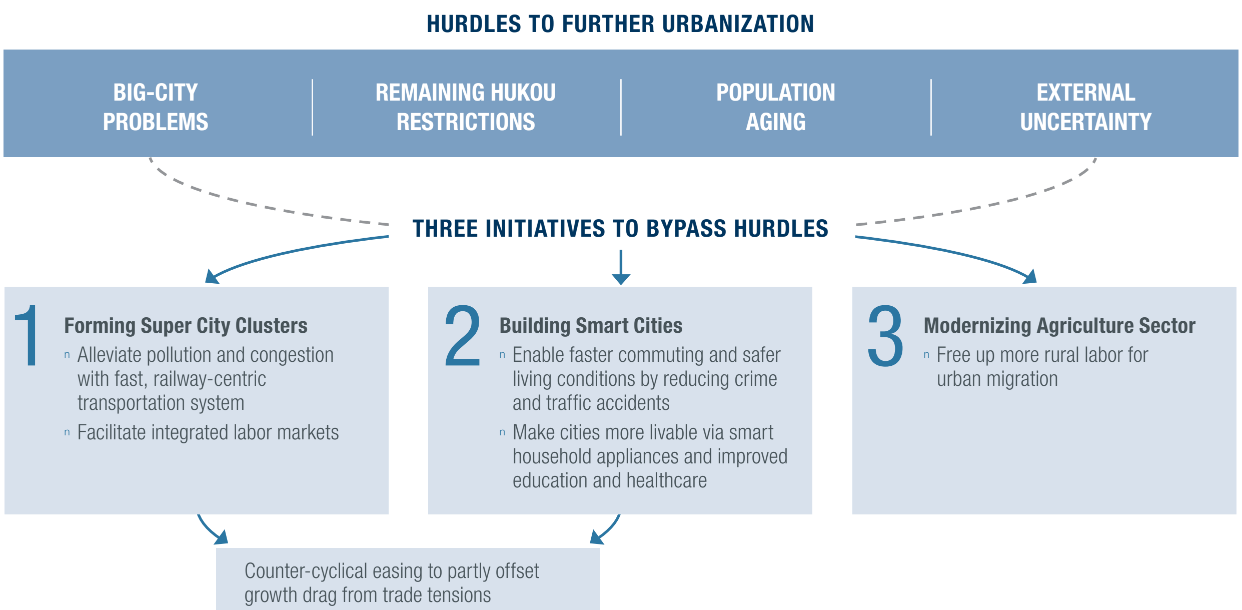


Source: Bloomberg, Mirae Asset, November 2019.

China

After a difficult second half in 2018, China was a notable performer in 2019 due to prudent monetary policy, consumption stimulus through tax cuts, and A share inclusion into the MSCI EM Index. We believe the People's Bank of China will stay committed to "no more flooding stimulus" and structural reforms to enhance monetary transmissions. No further escalation of trade tensions with the US would be positive for 2020. The GDP growth rate will likely moderate from 6% in the coming years; however, high consumer confidence and aspirational consumers should continue to drive ample investment opportunities across the e-commerce, entertainment, education and healthcare sectors. Inclusion in key benchmarks for local Chinese bonds and equities should also ensure healthy inflows and a stable currency.

Over the medium term, the government's focus on reforms for state-owned enterprises (SOEs) and "China Urbanization 2.0" through productive smart city clusters should help steady growth with moderate credit intensity.



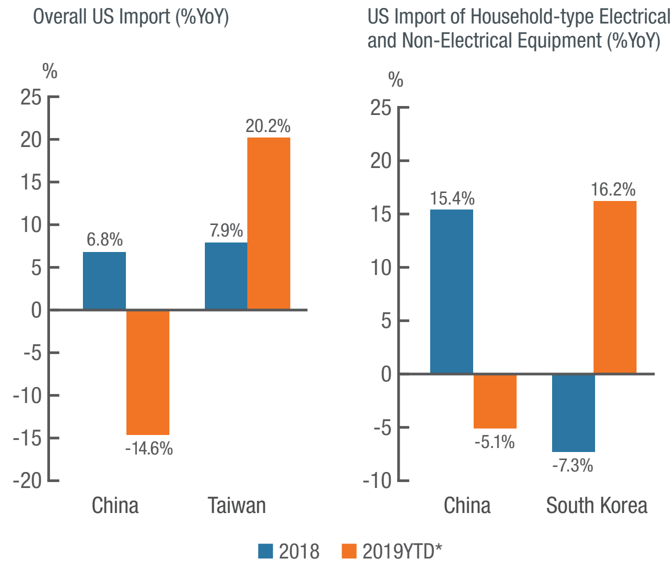
Source: CEIC, Morgan Stanley, October 2019.

[3]MSCI Asia ex Japan Index, as of November 29, 2019.

Northeast Asia

Domestic demand continues to languish in South Korea and Taiwan as a result of poor demographics and high consumer debt. However, the shift in production to South Korea and Taiwan from China for goods subject to US tariffs has been positive. We continue to like competitive businesses in the semiconductor and electric vehicle (EV) battery chain space which would benefit from a rollout of 5G networks and mass adoption of EVs in 2020.

Pick Up in US Imports from Taiwan and Korea



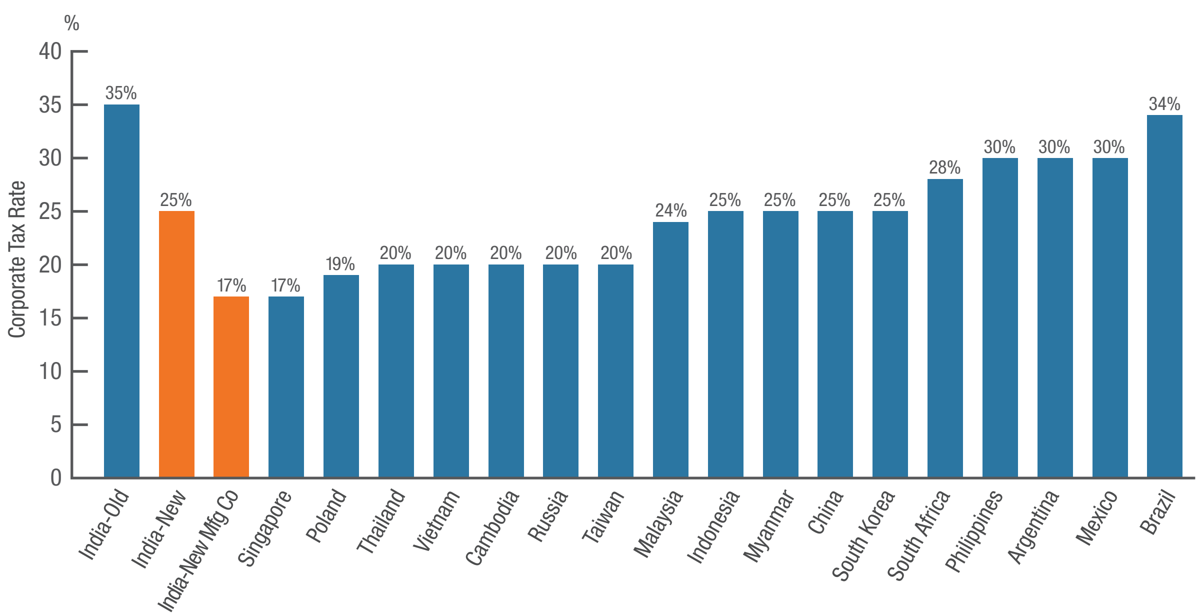
Source: CEIC, Morgan Stanley Research, *as of October 2019. Note: Household-type electrical and non-electrical equipment is a SITC sub-category (3-digit classification).

India

A key highlight of 2019 was the landmark re-election of Prime Minister Narendra Modi's government which reaffirmed the voter's commitment to bear short term pain for medium term upside. The growth recovery was muted as consumers continued to de-lever household balance sheets and businesses waited for greater policy clarity. The government refrained from short term consumption-led stimulus and instead focused on reviving a much needed investment cycle. In an effort to spur new investment, the government reduced the corporate tax rate to 17% for manufacturing companies incorporated on or after October 1, making Indian companies more competitive and attractive for global companies looking to diversify away from China. This should provide a boost to the "Make in India" initiative and generate much needed jobs for the young population.

Monetary easing by the Reserve Bank of India and steps to fix the housing sector should help the economy recover in 2020. If the government commits to privatizing non-strategic state owned companies, certain industries may also be revitalized. We continue to like banks, insurance, and select industrials in India and have taken advantage of the dips in the market to increase our exposure.

India's Tax Rate for New Investments is Highly Attractive

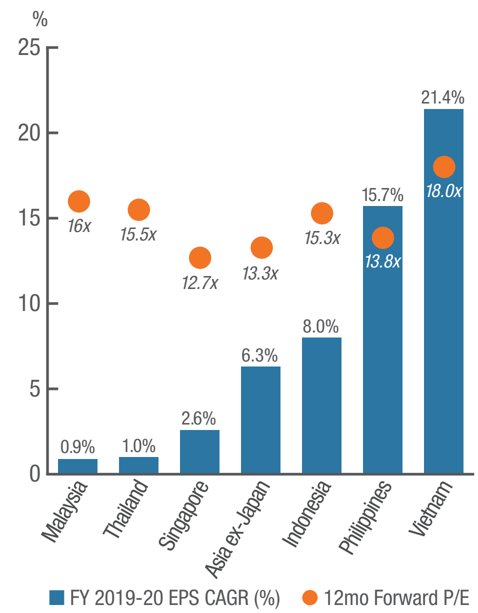


Source: Bloomberg (2019).

The Association of Southeast Asian Nations (ASEAN)

Southeast Asian markets broadly lagged the rest of the emerging Asian region as the growth recovery was slow and support towards boosting growth by their respective governments remained limited. Vietnam and the Philippines were notable exceptions to this trend. Vietnam gained as a result of strong exports and the Philippines was buoyed by resilient domestic demand. The ASEAN region will likely be a key beneficiary of the US-China trade conflict as manufacturing shits away from China. We continue to like consumer, financial and consumer companies across the ASEAN region.

Vietnam and the Philippines are Expected to Deliver Superior Growth



Source: Factset, MSCI, November, 2019. FY=Fiscal year.

Latin America

General Overview

Latin America has seen the weakest growth of any EM region year-to-date driven by a combination of political headwinds in Argentina and Peru, social unrest in Chile, and weaker than anticipated commodity demand due to US-China trade war concerns. Despite a weak 2019, we are optimistic that Latin America can accelerate moderately into 2020 led by its largest economy, Brazil. Brazil has successfully implemented key reform pillars to drive growth. Mexico could see tailwinds from easing monetary policy, though President Lopez Obrador's (AMLO) response to a weak economy and marginally lower approval ratings remain a question mark. Argentina has a difficult outlook for 2020 as they will need to renegotiate their program with the IMF and are likely to remain in deep recession, while inflation remains elevated. Chile will see growth diminish as the government focuses on appeasing social unrest by revisiting the framework of its constitution. Colombia, also facing recent social unrest, should grow moderately from a combination of continued infrastructure projects and lower corporate tax rates, which allow for further reinvestment. Finally, we anticipate Peru to grow above the regional average, but still move with overall commodity prices.

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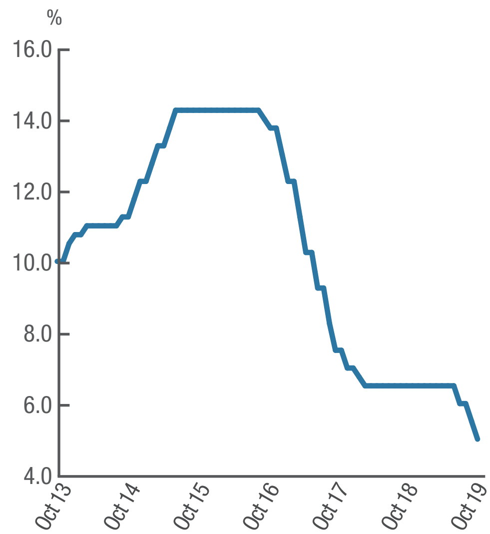
Brazil

Brazil continues to present a favorable outlook due to a combination of easing monetary policy and financial reforms. On the reform front, the government has successfully passed the pension reform bill, which should save BRL800 billion over the next 10 years. This removes fiscal risk for the country and allows the government to focus on growth. Forthcoming reforms should include budget reform (reducing mandatory spending), privatizations, trade liberalization, and tax reform. In addition, the central bank has cut interest rates by 925 basis points since November of 2016, which is now leading to a shift from fixed income to equities along with a boost to borrowing and investment. All of this should lead to increased job creation and positive GDP growth.

Brazil's Declining Selic Rate

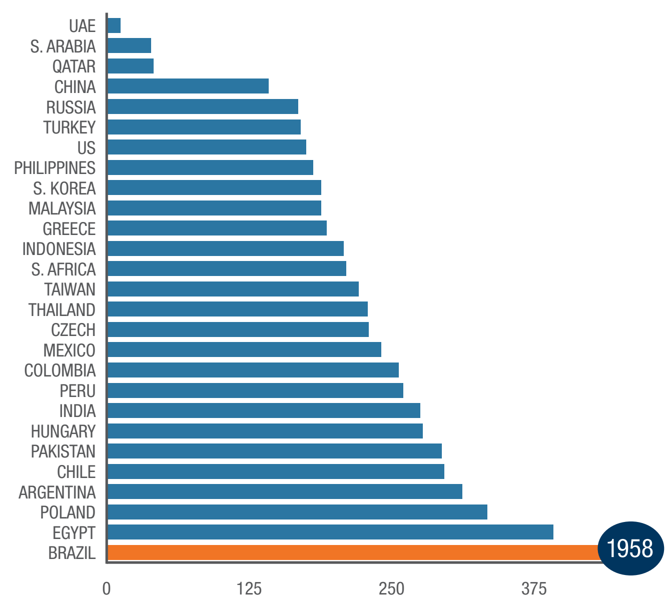


Source: Bloomberg.

Mexico

After delays to the United States-Mexico-Canada Agreement (USMCA) and lower infrastructure spending driven by a slowdown in new construction permits, Mexico's growth has remained lackluster. While President AMLO has recently improved his relations with the financial community, continued policy uncertainty stemming from the cancellation of the Texcoco airport in Mexico City and lack of positive changes within the energy sector has kept private investment sidelined in the country. On the positive side, the central bank has begun a monetary easing cycle, which should strengthen consumption and spur investment. Consumers have been a key bright spot, and we anticipate the trend to continue in 2020 driven by improvements in wage growth and remittances (note that social welfare programs from the government have yet to make any material impact). The market will closely follow President AMLO to see if he can manage growing key social and infrastructure projects, while maintaining his promised fiscal austerity.

Time Taken to Pay Taxes (hours per year)



Note: Time taken to prepare, file and pay three types of taxes (Corporate income tax, value added or sales tax and labor tax.) Source: Doing Business 2019 – Training for Reform report, HSBC Global Research.

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

All four Andean countries face uncertainty going into the new year. In Chile, due to social unrest, President Piñera will have to put his reform agenda on pause as his minority ruling coalition will likely spend the first half of the year focused on a constitutional referendum. Private investment will likely remain sidelined until the market has greater clarity on the political direction of the country. We believe growth will also remain pressured if trade conflicts continue to suppress global copper demand.

Colombia faces a difficult fiscal situation. President Duque's approval rating has fallen from 40% to 26% driven by the weak implementation of both the recent peace agreement and fiscal reforms. In regards to tax reform, the bill approved in December 2018 was declared unconstitutional, which leaves the government rushing to implement a new structure that can drive growth and also help the country's fiscal deficit. In order to meet the 2021 and 2022 budget targets, the finance ministry has discussed selling stakes in SOEs. Though, this would be a positive for liquidity and governance, we see this as unlikely, because President Duque doesn't have the support to pass a controversial bill through congress. In 2010, the court ruled that divesting equity stakes in SOEs for government revenue doesn't comply with the constitutional mandate of the ministry of finance.

Peru was hampered this year by political events as President Vizcarra aimed to dissolve Congress and call for new elections in a fight against corruption. Despite the political turmoil, Peru is expected to have the strongest growth rate in the region in 2020. However, asset prices remain highly dependent on copper and gold prices and the combination of a weaker outlook for mining and continued political uncertainty could sideline investment in the country.

Argentina's market has lost over 1/3 of its value year-to-date.[4] Though prices have pulled back, the outlook remains negative, as the new government appears willing to revert to market unfriendly Perón/Kirchnerist policies that could leave the country fiscally insolvent.

EEMEA

General Overview

EEMEA contains a wide-range of opportunities based on valuation, growth, economics, and politics. We see opportunities for outperformance in Russia, Egypt, and Greece, driven by a combination of attractive valuations and macroeconomic tailwinds. From a fundamental perspective, Turkey appears attractive, but political uncertainty translates into a more difficult investment scenario. South Africa also remains challenged. Though marginally positive, President Ramaphosa's reform policies have not done enough to address the country's structural challenges. We believe that the CE4 region (Poland, Czech Republic, Romania, and Hungary) remains attractive, especially in the case of an organized Brexit and a stable European Union (EU).

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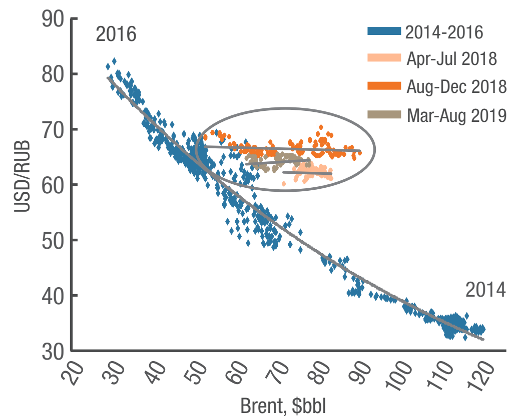
[4]Bloomberg, ending November 30, 2019.

Russia

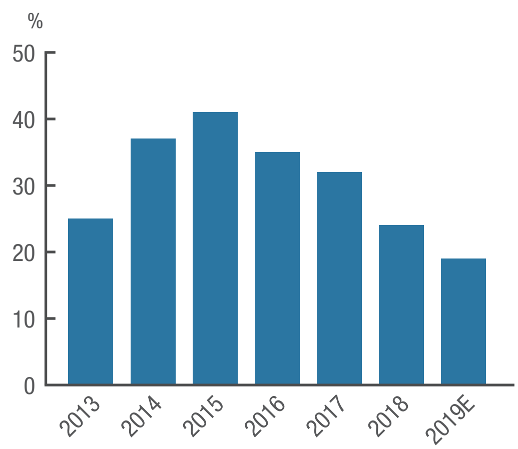
Despite a strong 2019, Russian equities remain attractive. Russian corporates have spent the last few years moving toward conservative balance sheet models. Net debt/equity levels now stand below 20%. As low leverage inflates the weighted average cost of capital (WACC), this seems inefficient and we 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 dividend yields already above 7%, it's unlikely the market will allow yields to rise much higher, leading us to believe that upward price movements could be forthcoming. In addition, Russia is in the midst of a monetary easing cycle, inflation remains below target, the country boasts both a current account and fiscal surplus, and the government is indicating fiscal stimulus into 2020.

Newfound FX Stability — Relationship Between the Ruble and Oil Prices



Source: Bloomberg, Sberbank CIB Investment Research.

Russian Corporate Net Debt/Equity Levels



Source: IMF. E=Estimate. Estimates are projections and not guarantees.

South Africa

The optimism that followed the President Ramaphosa's 2019 election has not translated into growth as he has faced the difficult challenge of balancing a split African National Congress (ANC), implementing fiscal austerity, and attempting to pass unpopular but necessary reforms. Idiosyncratic factors such as resolving key SOE debt issues and rooting out corruption, have continued to weigh on sentiment, prompting Moody's to downgrade the country's sovereign debt outlook to negative. With consensus expectations of a 5.7% fiscal deficit in 2020, limited revenue growth, and further financing pressure from SOEs, South Africa will need to show the market a clear path towards reaching fiscal sustainability. South Africa has also seen a moderate increase in emigration from the country, and given the top 10% of households are responsible for more than half of the consumption in the country, the combination of losses from potential "brain drain" and tax payers may lead to a weaker consumer environment and add to downside earnings risks. On the positive side, if the government can successfully implement key reforms, the market could see a confidence driven rally for stock prices and the currency.

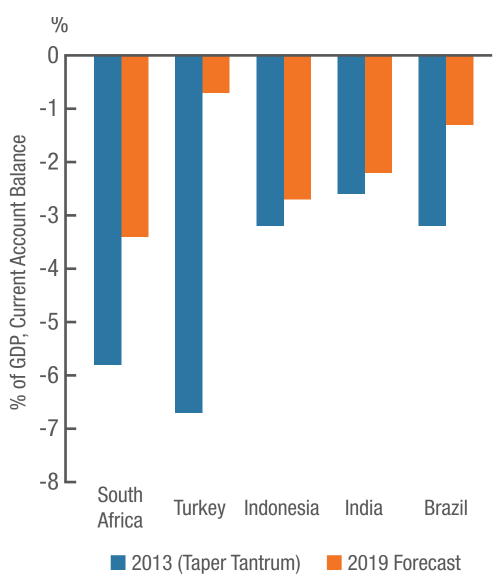
Turkey

Turkey is emerging from a challenging two year period, driven by geopolitics and trade imbalances, which led to currency volatility and inflation woes. Though the geopolitical situation remains fluid, valuations appear attractive and the economy appears to be righting itself. Turkey's current account should finish 2019 balanced (coming from a 6% deficit in 2017), inflation continues to fall, which allows the central bank to cut interest rates, and economists now expect over 2% GDP growth for 2020. Politically, we will continue to monitor President Erdogan's ceasefire commitment with the Kurdish community in Syria, along with policies from the US government relating to the region.

Middle East and Northern Africa (MENA)

In the Middle East and Northern Africa, we believe that Egypt stands out as an attractive story. The government has committed to austerity and unpegged its currency, which has already led to improvements to the country's twin deficits along with an uptick in foreign direct investment. Inflation rates are stabilizing and the central bank could continue its rate cutting cycle in 2020, which could translate into growth. Saudi Arabia presents an increasingly interesting opportunity, as the government continues to drive reforms that should liberalize and diversify the Kingdom into a more modern era. We continue to witness progress from both a regulatory and social perspective. The development of an investor friendly capital market plays a vital role in their long term "Vision 2030" plan. On the social side, the Kingdom has launched a tourist visa program, is allowing female drivers, opening movie theatres, hosting concerts, and supporting women in the workplace. The Kingdom also partially listed Saudi Aramco, the national oil company, onto public markets, which will increase Saudi's presence across global indices.

CAD has Improved in the Fragile 5 EM Countries



Source: Bloomberg, as of 10/4/19. F=Forecast. Forecast numbers are projections and not guarantees.

Emerging Europe

The CE4 (Poland, Czech Republic, Romania, and Hungary) should continue to boast high growth rates, as the countries benefit from a normalization of economic policy, reflationary government initiatives and divestment of EU infrastructure funds. An organized Brexit will be vital for EU stability, which drives the demand led growth in these countries. Each of these countries present relatively educated population bases and low costs of labor, which should continue to attract investment through 2020. That said, we continue to monitor negative headlines around nationalism, immigration policies, political instability, which create volatility and headwinds for the strong structural opportunities in the region.

Last, Greece appears to have finally reached a point of stability. The new government was elected on a pro-reform agenda based on supporting the private sector and cutting taxes. The country has reached a fiscal surplus and does not appear far away from the ability to introduce fiscal stimulus. Greece also depends on EU stability, but it appears that the prospects for a hard Brexit have diminished, which sets a positive backdrop for investment and growth in the region.

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.

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.

MSCI Frontier Markets (FM) Index captures large and mid cap representation across 28 FM countries*. The index includes 92 constituents, covering about 85% of the free float-adjusted market capitalization in each country.

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.

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.

Disclaimer