

STATE STREET GLOBAL ADVISORS.

PAPERS Forum

Emerging Markets: BRICs and Beyond

May 20, 2013

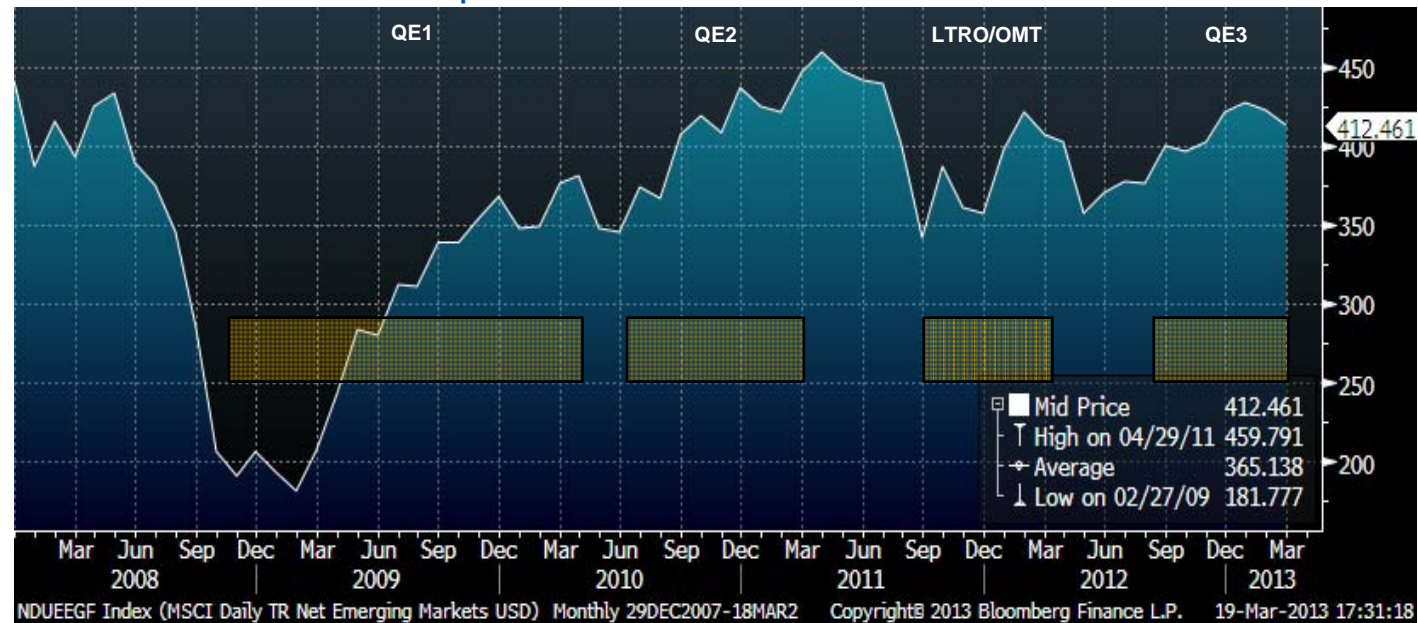
Jean-Christophe de Beaulieu



Liquidity Provisioning and Equity Returns

- QE episodes in the face of dominant macro theme volatility a significant driver of equity returns and volatility
- Smaller/less liquid and more domestically economy oriented countries exhibit less volatility

MSCI EM Performance versus QE episodes



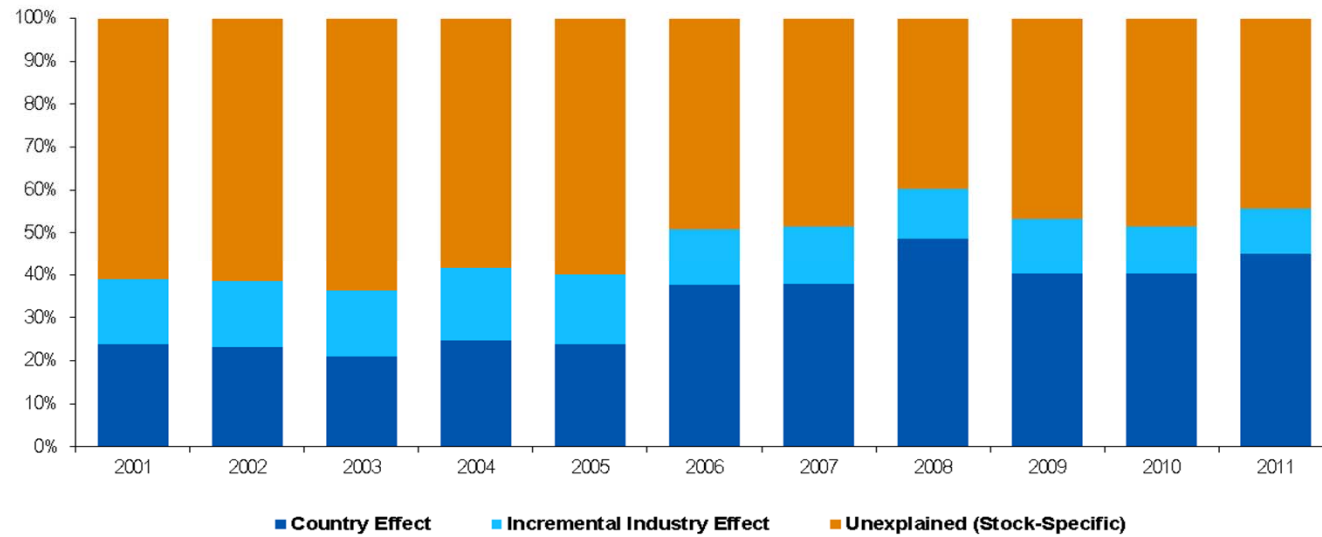
Source: Bloomberg
 Past performance is not a guarantee of future results.
 Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income

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Key Drivers of Emerging Market Returns

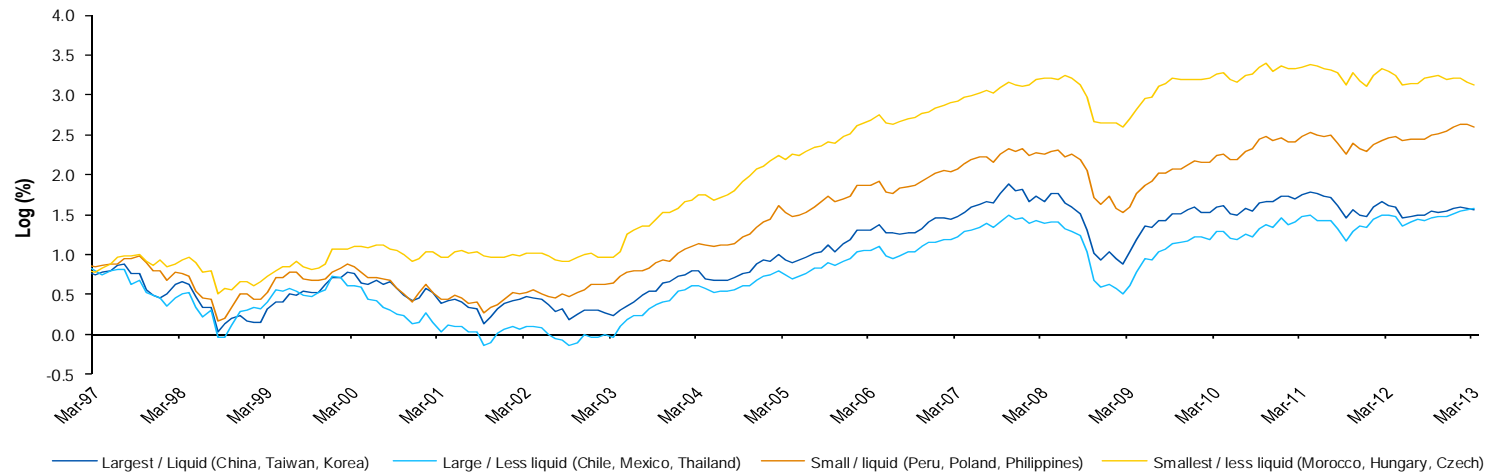
Country and Stock are the most important drivers of Emerging Market

EM Stocks Return Variance Components over Time



Source: Factset, SSgA

Size/Liquidity Country Groups



Cluster	Annualized Returns (Since Inception)*	Annualized Standard Deviation (Since Inception)*
Largest - Liquid	5.51	26.09
Large - Less liquid	5.74	26.56
Small - Liquid	12.47	24.53
Smallest - Less Liquid	16.12	22.42

Source: SSgA, FactSet.

* Inception date: January 1997

As of March 31, 2013. Returns are simulated from June 1997 To March 2013.

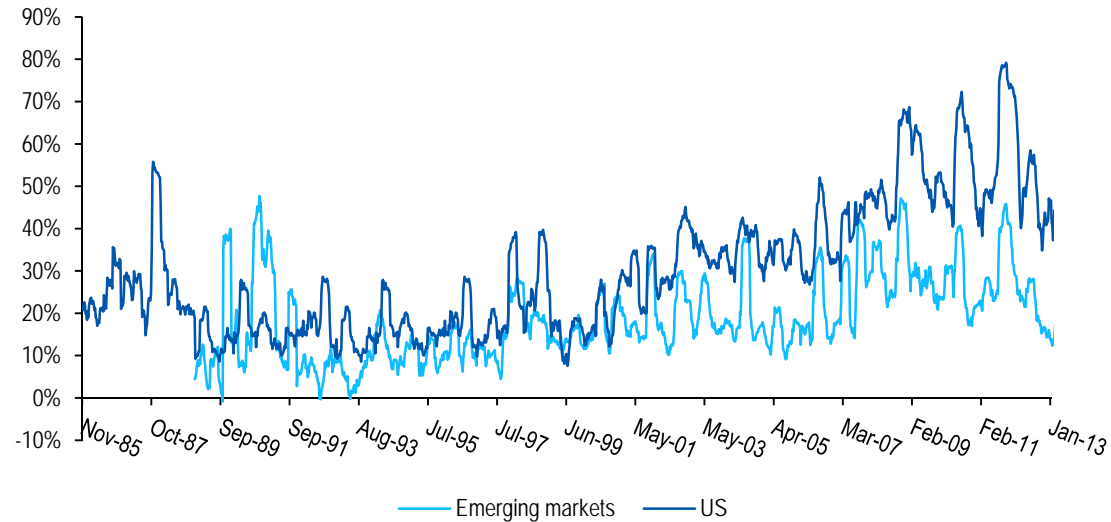
The simulated performance shown is not necessarily indicative of future performance, which could differ substantially. Please see the Simulation Disclosure page for more information.

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EM Stock Returns Show Low Correlation with Macro Themes

- When correlation is rising stocks are rising with dominant macro themes
- Important to focus on stock picking in EM

Average correlation of stocks with their country index



Source: Deutsche Bank
As of Jan, 2013

Past performance is not a guarantee of future results.

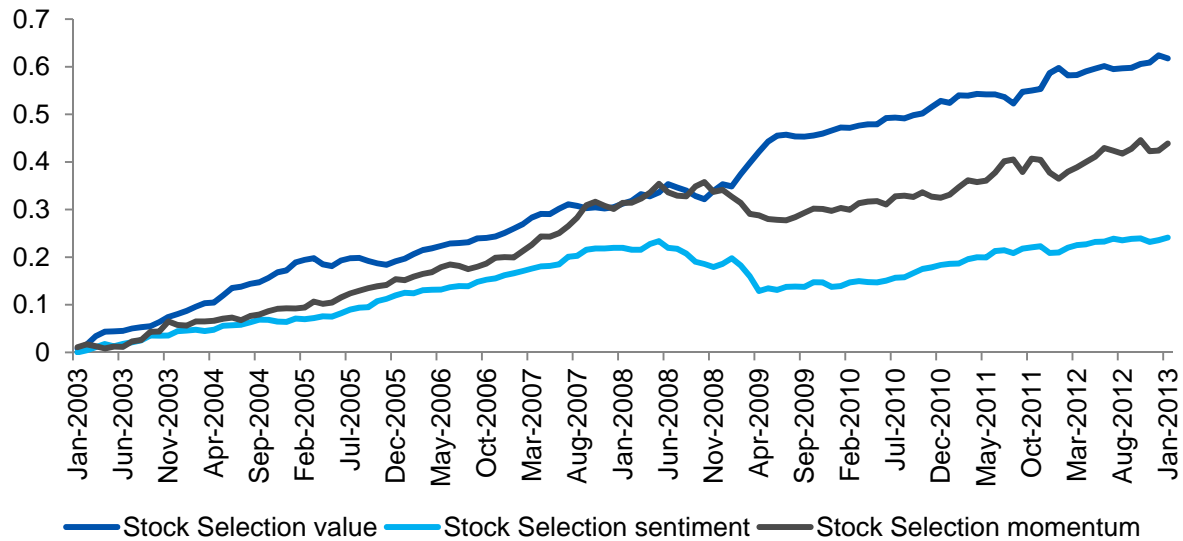
Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

The correlation coefficient measures the strength and direction of a linear relationship between two variables. It measures the degree to which the deviations of one variable from its mean are related to those of a different variable from its respective mean.

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EM Stock Return Drivers: Value, Sentiment and Momentum

- Value premium has been consistent source of returns at stock level
- EPS growth has also driven steady returns post-crisis
- Momentum also helps pick earnings turnaround



Source: Factset, SSgA

Past performance is not a guarantee of future results. Please see stock selection model disclaimer in appendix.

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