

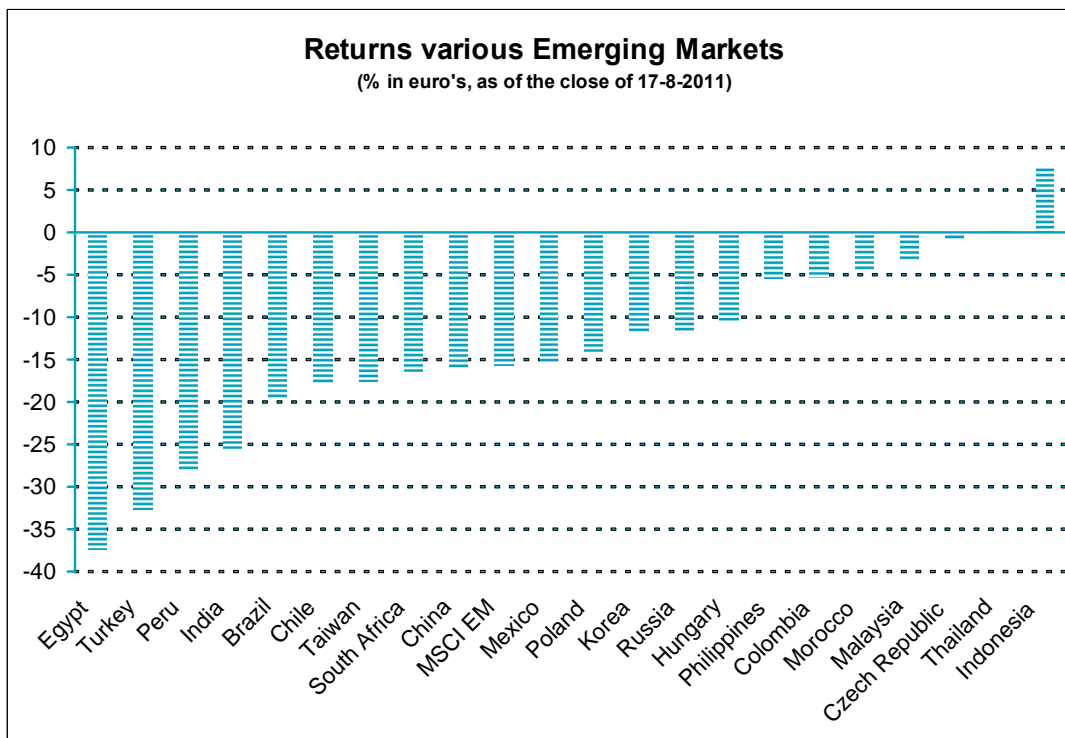
Emerging Markets Update

For professional investors only

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So far in August, emerging markets have been relatively volatile but have continued to function appropriately. Market volumes were extraordinarily high last week, in particular for a summer week. This week, volumes are down to normal summer levels again.

The graph below shows the performances of the various emerging markets year-to-date:



The current down market in emerging markets is based on fears of a global economic recession, which filters through in a spike in volatility and thus a sharp fall in risk appetite. As emerging equities are perceived as a risky asset class they are hit as well. We expect this uncertainty and fear can last for a couple of weeks or months. The potential catalysts for a turnaround could be a more decisive "euro recovery" action plan backed by all relevant European political leaders and a solution to the standstill in the USA in the shape of budget cuts and, eventually, tax increases. Decisive political action is needed on both sides of the Atlantic.

Our scenario for the second half of 2011 and 2012 is still one of a better macroeconomic climate in emerging countries in general and in Asia in particular, more precisely on the inflation outlook and the monetary situation. We expect a peak in Chinese inflation during this summer and more benign inflation numbers from August or September onwards. This holds not only for China but also for the rest of the global emerging markets. The current fall in crude oil prices strengthens us in our view. In line with this scenario, our emerging markets strategies are overweighted in China, South Korea and Taiwan.

As for stock selection, we still prefer consumer discretionary stocks in general. As the domestic situation in emerging countries is still comparatively rosy, these stocks are relatively isolated from global slowdown. We are very cautious towards companies that are heavily depending on the US or the European macroeconomic situation. Most of the export names in our portfolio do lean more to high growth nations like China and India (Vale in Brazil, for example) than to low-growth regions such as the European Union, the United States and Japan.

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