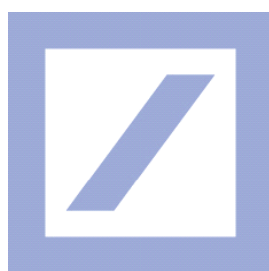


EMERGING MARKETS :Too Big to Ignore

Brian Thomas, July 2009



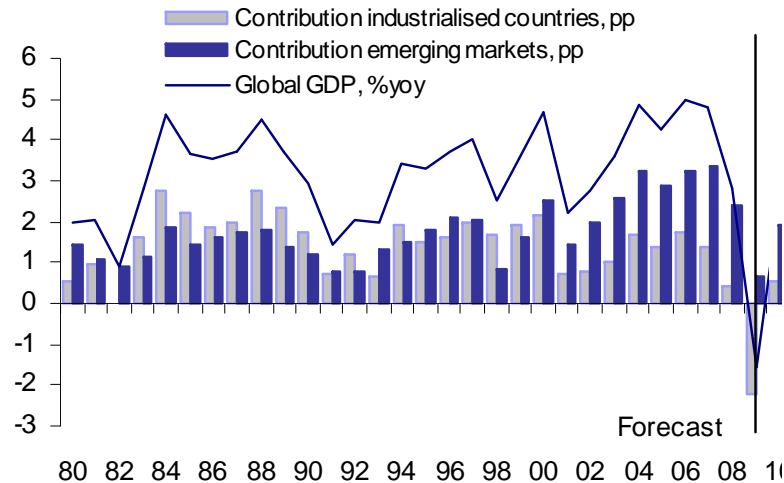
A Passion to Perform.

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Emerging Markets: Increasingly growing in importance

EM contribution to global GDP continue to increase

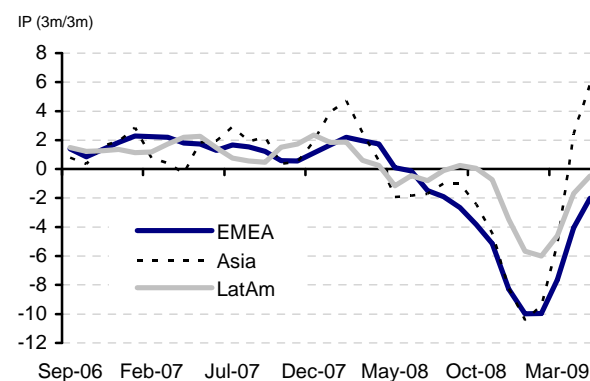
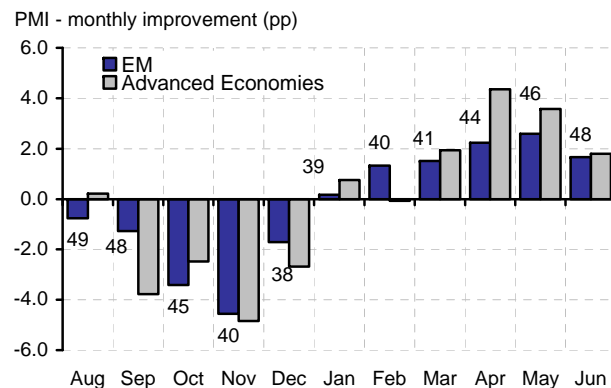
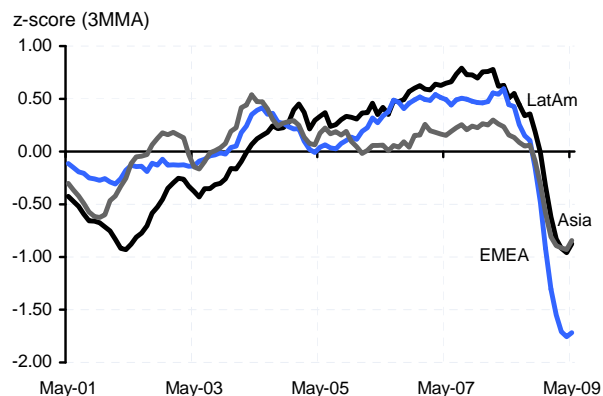


- The importance of EM economies to the global economy cannot be underestimated
- In particular in times when industrialised nations produce zero/sluggish growth.
- Due to the high ratio of Export/GDP in emerging countries, EM has understandably been hit by the global slowdown.
- However, as EM policy makers continue to promote domestic demand, their fate would increasingly become less correlated with the developed world.
- EM will prop up global growth in 2010 is our forecast

Real GDP Growth (%)

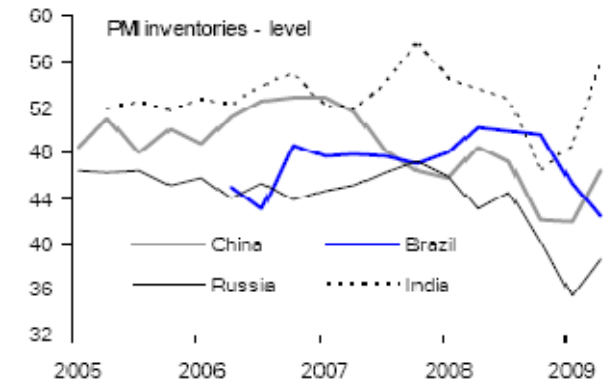
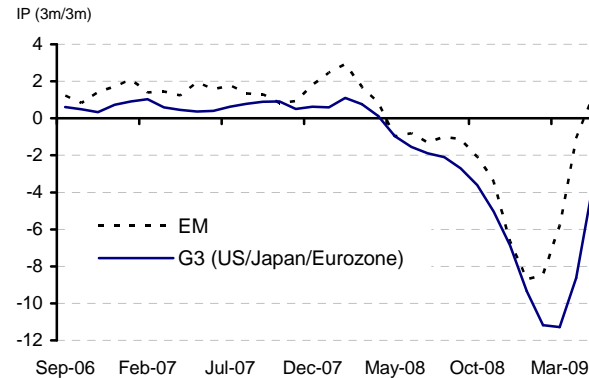
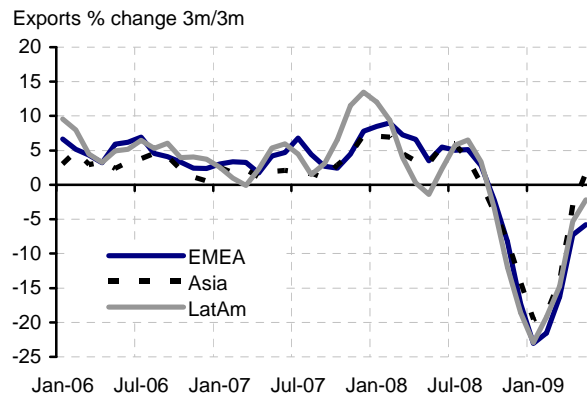
	2007	2008	2009F	2010F
G7	2.2	0.6	-3.9	1.0
Industrial Countries	2.4	0.7	-3.7	1.0
Emerging Markets	8.1	5.7	1.2	4.6
BRICS	10	7.7	4.6	6

EM Macro Outlook: Showing signs of stabilisation but we remain cautious.



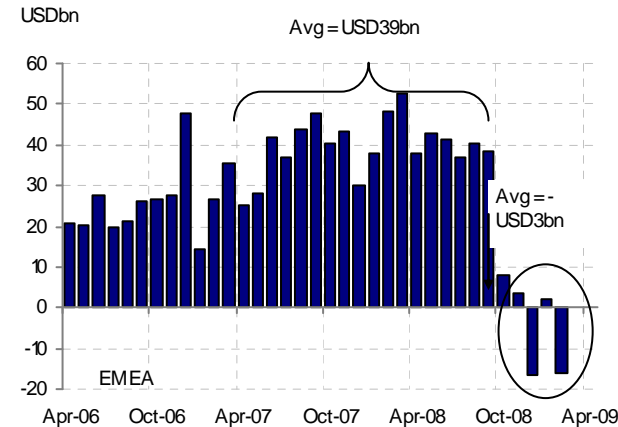
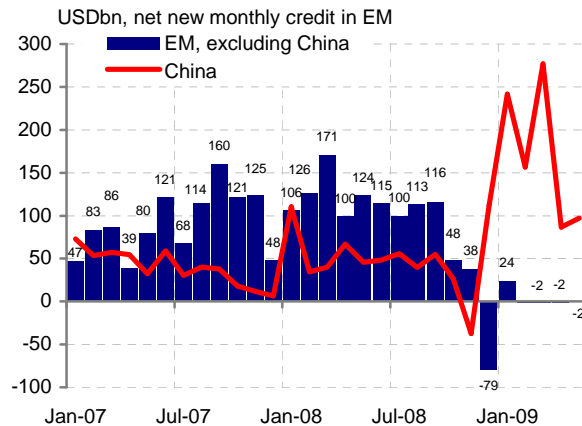
- DB proprietary macro-momentum indicators have bottomed out.
- Historically our macro-momentum indicators have a 0.9 correlation to GDP growth.
- PMI has recovered but can it push through to expansionary levels? (>50).
- Industrial production (IP) has stabilised and is set to be approaching positive territory

EM Macro Outlook : Showing signs of stabilisation but we remain cautious.



- Export across the three EM region have stabilised.
- EM IP is much stronger than in G3 which is partly explained by inventory rebuilding in EM
- Although we don't see it in G3 yet, we expect inventory building to start in H209.

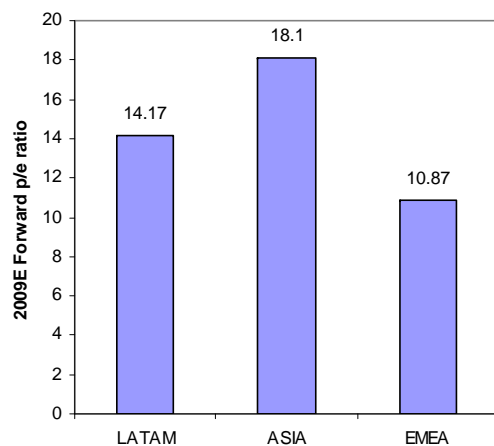
EM Macro Outlook : Should we begin to get Nervous?



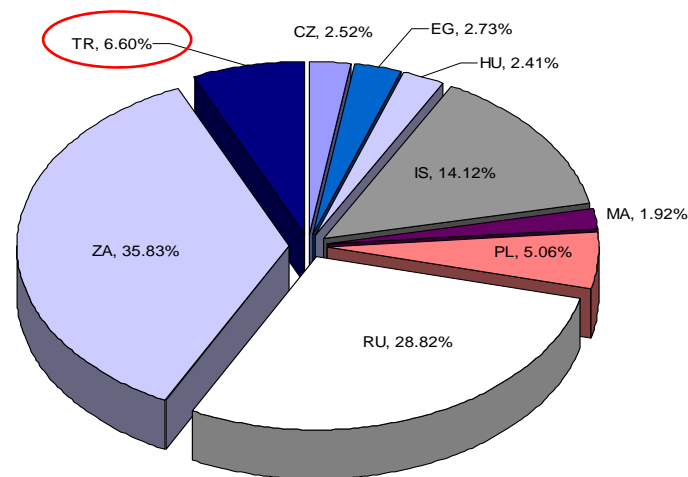
- China has been responsible for virtually all credit growth in H109.
- Positive credit impulse still feeding through the system – hence our bullish 12-18 month view
- Increase in China's credit growth is clearly unsustainable.
- Risk of medium term slow down if the rest of the world do not start lending.

EM Equities: Has been slowest to recover but valuations are attractive.

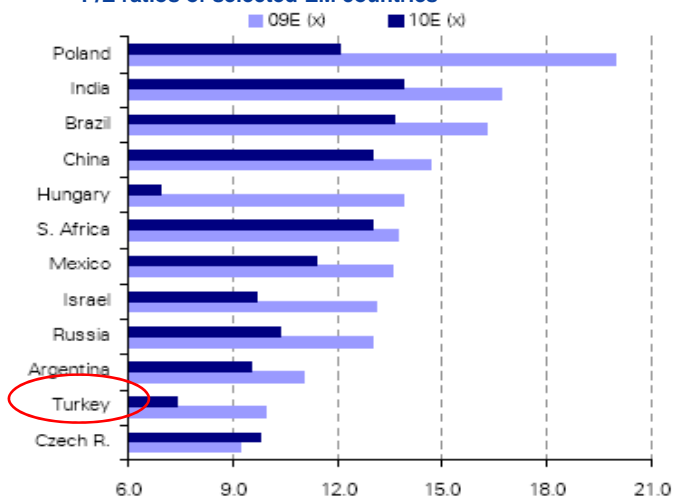
EMEA is trading at a huge discount to Asia and Latam



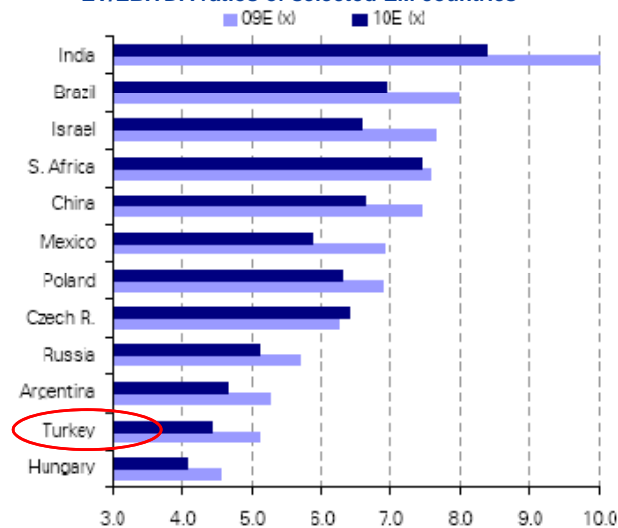
MSCI EMEA country weights



P/E ratios of selected EM countries



EV/EBITDA ratios of selected EM countries



Source: Deutsche Bank, Bloomberg & MSCI Barra

Turkey at the early stages of development

- The free float percentage in Turkey is low: it is **34.55%** for ISE-100 companies.
- Total Market cap is **\$175bn**, GDP is **\$600bn**: the economy is under represented on the exchange
- The number of corporate and convertible bonds are negligible and very illiquid.
- **15%** of the daily trading volumes on the ISE are foreign according to Capital Market's board but 64% of the free float is owned by the foreigners. At the peak in 2007, this was 73%.
- Warrants and single stock futures are yet to be introduced to the market - sophistication level is low but will be improving.
- Out of the 153 stocks on the MSCI Emerging Europe Index, only 24 are Turkish names – mostly with low weights.
- Garanti (1.28% weight) is the largest weight ranked 16 in the index. Turkcell (0.80% weight) is next.
- Increasing free float will help weightings
- Investors are generally happy with the reporting standards in Turkey
- Key will be greater access to company directors going forward

ISE Volumes - foreign investors' market share in total turnover			
2006	2007	2008	2009 ytd
18%	23%	27%	14%

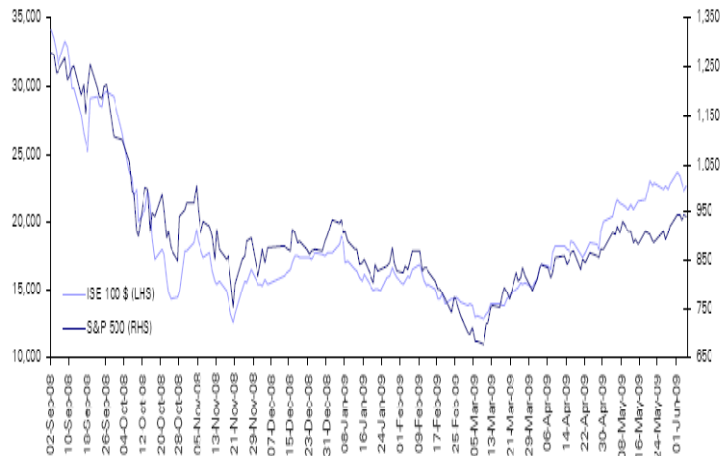
ISE Ownership - foreign investors' ownership of the free float			
YE06	YE07	YE08	current
65%	72%	67%	66%

EM Equities: EMEA represents biggest upside

Turkey has been a relative out performer in EMEA

	ISE-100 (\$ based)	MSCI EMEA	ISE100 (\$) Relative to MSCI EMEA
YTD	53%	35%	13%
Last 1 Year	-17%	-33%	25%
Last 3 Year	18%	-11%	33%
Last 5 Year	107%	59%	31%

ISE-100 vs. S&P 500



- Turkey remains one of the cheapest countries in EMEA despite having consistently outperformed MSCI EMEA Index.
- We believe current out performance is driven by improvement in global risk appetite.
- The outcome of Turkey-IMF deal should be the key driver of the Turkish equity market going forward.

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