

Emerging Markets Weekly

Weekly commentary

23 January 2012

Overview

- Emerging markets rose amid signs China will ease lending curbs to spur growth and after confidence among U.S. homebuilders climbed in January.
- China's fourth-quarter GDP grew by 8.9%, the slowest expansion in 2.5 years. Conversely Brazil's economy grew at its fastest pace in 19 months in November, reversing a three-month contraction.
- Central banks in Brazil, Indonesia and the Philippines cut interest rates. China's central bank injected 169 billion yuan into local banks to ease a liquidity squeeze ahead of the Chinese New Year holidays.
- India's inflation slowed to a two-year low in December. It remained unchanged in South Africa but rose in Argentina
- Fitch cut the outlook for Russia from positive to stable while Moody's raised Indonesia to investment-grade status.
- South Africa experienced a slowdown in retail sales in November and the decline in December's PMI signalled further weakness.
- In Thailand, the newly reshuffled cabinet line-up received royal endorsement. Hungary prime minister Orban acceded to EU demands to reverse some of the sweeping reforms that appear to erode the independence of the central bank and the judiciary.

Corporate News

Argentina: Tenaris raised the offer price to delist its Brazilian subsidiary Confab. If successful, the move will increase Tenaris' exposure to the fast growing oil & gas industry there.

Brazil: Vale proposed a minimum dividend payout of US\$6 billion in 2012. **Lojas Renner's** board will propose distributing 75% of last year's earnings at its next shareholders meeting. Lawmakers approved the 30% foreign participation in **Bradesco's** capital structure. This opens the door for a new ADR program that would increase the stock's liquidity and visibility.

China: Hang Lung Properties' robust interim results were boosted by rental growth in the mainland and property sales in Hong Kong. Conversely, **Public Financial's** full-year results were hurt by narrowing net interest margins and higher impairment allowance. Nevertheless, its asset quality continues to improve and capital adequacy remains solid. **CNOOC** estimates production to stagnate this year as its Penglai field

ceased operations following last year's oil spill. However, its growth forecast remained unchanged. **Swire Pacific** succeeded in spinning off property arm **Swire Properties**, which was listed in the stockmarket last week. The move provides Swire Properties greater flexibility in seeking funds, while giving Swire Pacific's non-property businesses access to fresh capital.

India: Our holdings posted solid December-quarter results. **Infosys** was underpinned by better volume and pricing, led by contributions from Europe and the US. **Although Housing Development Finance Corporation's** earnings moderated because of the slowing domestic economy and persistent inflation, loan growth remained healthy and asset quality was stable.

Indonesia: Moody's upgraded the foreign currency-denominated debt ratings of nine local banks including **Bank Permata** and Malaysian lender **CIMB's** subsidiary Bank Niaga. **Astra International's** listed unit, Astra Otoparts will partner a Japanese company to build a motor disc brake factory. **Perusahaan Gas Negara** will invest in two more storage units in South Sumatra and Central Java.

Malaysia: **Fraser and Neave Holdings** expects its Thai dairy plant that was affected by the floods to resume operations in April. **Aeon** aims to open several shopping complexes by 2015. DiGi reported robust full-year revenue growth, supported by data and voice businesses, text messaging, value added services and tax incentives. The telco declared a net dividend of 6.5 sen for the quarter, bringing the full-year payout to 17.5 sen.

Russia: **Lukoil** will stabilise production volumes and focus on international projects in 2012. Although output last year was disappointing, the company remains highly cash generative and maintained a portfolio of good quality assets.

South Africa: **SAB Miller** released a trading update that met expectations, with decent volume growth in Latin America and Asia outweighing weaker sales in Europe. **Truworths** expects earnings to grow between 11-15% for the half year to December 2011.

Sri Lanka: Conglomerate **John Keells** will partner local firm Brandix Group to offer domestic commercial flights, the only non-government domestic aeroplane service. The venture underlines John Keells's solid balance sheet to capitalise on opportunities in the developing economy.

Thailand: **BEC World** maintained its leadership in advertising expenditure via free-TV for the second consecutive month. Although car sales dropped for the third straight month in December because of supply chain disruptions, monthly sales rose by 113% as production normalised. Meanwhile, the year-end motor expo also bodes well for our auto-related holdings **Thai Stanley**.

Turkey: **Akbank** is offering two tranches of bonds to replace those that are maturing soon. In addition, the lender will sell U\$1.5 billion of foreign-denominated bonds later this year and apply to raise its capital ceiling.

We hold all the above companies highlighted.

Indices Performance Table (%)

REGION/COUNTRY	INDEX/FUND	US DOLLARS		LOCAL CURRENCY	
		WOW	YTD	WOW	YTD
REGIONAL/FUNDS/DEVELOPED MARKETS					
Emerging Markets	MSCI Emerging Markets	4.42	8.59	3.06	6.01
	MSCI Emerging Markets Small Cap	3.31	6.98	2.11	4.94
US	Dow Jones	2.40	4.12	2.40	4.12
US	NASDAQ Composite	2.80	6.97	2.80	6.97
UK	FTSE Allshare	3.53	3.60	1.89	3.39
Europe	FT Europe ex UK	5.51	4.70	3.27	4.88
World	MSCI AC World Free	3.08	5.00	2.33	4.64
EMERGING MARKETS ASIA					
EM Asia	MSCI Emerging Markets Asia	3.84	8.07	3.04	6.58
	MSCI Emerging Markets Asia Small Cap	2.91	6.71	2.10	5.18
China	MSCI China	4.05	9.41	3.96	9.34
Hong Kong	MSCI Hong Kong	5.38	8.01	5.29	7.94
India	MSCI India	6.22	15.13	3.73	9.10
Indonesia	MSCI Indonesia	3.11	5.91	1.57	4.48
Korea	MSCI Korea	6.07	9.19	4.78	7.51
Malaysia	MSCI Malaysia	0.72	2.04	-0.15	0.03
Pakistan	MSCI Pakistan	7.16	7.19	7.14	7.54
Philippines	MSCI Philippines	3.99	10.02	2.85	8.57

Sri Lanka	MSCI Sri Lanka	-1.04	-3.68	-1.02	-3.66
Taiwan	MSCI Taiwan	0.33	3.62	0.24	2.51
Thailand	MSCI Thailand	3.16	3.20	2.40	3.26
EMERGING MARKETS EUROPE MIDDLE EAST AFRICA					
EMEA	MSCI EMEA	5.09	7.41	2.78	5.42
	MSCI EMEA Small Cap	4.13	5.62	1.62	3.73
Czech Republic	MSCI Czech Republic	5.97	-0.30	3.37	-0.03
Egypt	MSCI Egypt	2.16	6.60	2.21	6.76
Hungary	MSCI Hungary	13.93	15.93	9.19	12.46
Morocco	MSCI Morocco	2.50	2.75	0.96	3.11
Poland	MSCI Poland	9.22	8.30	4.56	5.34
Russia	MSCI Russia	3.56	9.38	1.96	7.10
South Africa	MSCI South Africa	5.10	5.36	2.47	3.78
Turkey	MSCI Turkey	7.53	10.37	5.85	7.05
MIDDLE EAST					
Bahrain	Bahrain All Share Index	0.60	-0.20	0.60	-0.20
Kuwait	Kuwait Stock Exchange Index	0.90	-0.21	0.55	-0.29
	MSCI Kuwait	0.23	-1.47	-0.09	-1.42
Oman	Muscat Securities Market Index	-0.92	-1.82	-0.92	-1.82
	MSCI Oman	-1.52	-3.26	-1.52	-3.26
Qatar	Doha Securities Market Index	-2.25	-3.83	-2.25	-3.82
	MSCI Qatar	-2.32	-4.18	-2.33	-4.18
Saudi	Tadawul All Share Index	-0.64	0.51	-0.64	0.51
UAE - Abu Dhabi	Abu Dhabi Securities Market	-0.15	-2.57	-0.16	-2.57
UAE - Dubai	Dubai Financial Market General Index	1.53	-1.39	1.53	-1.39
	MSCI UAE	0.96	-2.14	0.96	-2.14
Israel	MSCI Israel	2.94	10.04	0.94	8.67
Jordan	MSCI Jordan	-1.32	-8.44	-1.34	-8.50
MSCI GCC ex SA	MSCI GCC ex Saudi Arabia	-0.40	-2.33	-0.58	-2.31
LATIN AMERICA					
Latin America	MSCI Latin America	5.41	10.84	3.36	5.08
	MSCI Latin America Small Cap	4.97	10.64	2.85	4.93
Argentina	MSCI Argentina	7.76	20.43	7.76	20.43
Brazil	MSCI Brazil	6.13	13.40	4.27	7.30
Chile	MSCI Chile	4.10	7.62	1.72	1.90
Colombia	MSCI Colombia	0.71	6.30	0.03	0.38
Mexico	MSCI Mexico	5.13	5.68	2.01	0.17
Peru	MSCI Peru	0.98	4.96	0.98	4.94
FRONTIER MARKETS					
FM (FRONTIER MARKETS)	MSCI Frontier Markets	0.90	-0.30	0.61	-0.16
Botswana	MSCI Botswana	-1.94	-3.27	-3.61	-3.92
Bulgaria	MSCI Bulgaria	1.66	-4.05	-0.33	-3.59
Croatia	MSCI Croatia	1.67	-1.54	-0.08	-0.44
Estonia	MSCI Estonia	1.50	4.00	-0.48	4.50
Ghana	MSCI Ghana	-2.29	-5.46	-0.21	0.66
Jamaica	MSCI Jamaica	-0.30	-7.63	-0.30	-7.42
Kazakhstan	MSCI Kazakhstan	2.02	4.49	2.02	4.49
Kenya	MSCI Kenya	3.00	2.14	1.58	3.28
Lebanon	MSCI Lebanon	-0.53	-1.52	-0.53	-1.52
Lithuania	MSCI Lithuania	4.10	3.61	2.06	4.11
Mauritius	MSCI Mauritius	-0.99	-2.76	-1.66	-2.59
Nigeria	MSCI Nigeria	-0.10	-1.18	-0.60	-1.88

Romania	MSCI Romania	2.43	1.02	0.63	1.99
Serbia	MSCI Serbia	-0.22	-4.28	-1.81	-4.60
Slovenia	MSCI Slovenia	3.60	-6.37	1.57	-5.92
Tunisia	MSCI Tunisia	-0.24	-2.02	-1.26	-0.73
Ukraine	MSCI Ukraine	-0.06	-5.71	0.08	-5.45

Source: Bloomberg, 20 Jan 12

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