

A Snapshot Of Major Emerging Market Stock Indices

Earnings Growth Rates & Price-to-Earnings (P/E) Ratios For Major Emerging Market Equity Indices

Index (USD)	2014 EPS Growth Est.	2015 EPS Growth Est.	2014 P/E Est.	2015 P/E Est.	3-Year Avg. P/E
MSCI Emerging Markets	12.36%	11.90%	11.89	10.62	11.75
MSCI Emerging Markets Small Cap	55.36%	27.29%	13.87	10.90	20.51
Ibovespa/Brazil	39.42%	12.77%	11.95	10.59	48.35
Russian Trading System	8.52%	2.60%	4.95	4.83	5.15
S&P BSE 500/India	11.37%	22.69%	16.65	13.57	16.04
Shanghai Composite/China	23.16%	12.91%	8.79	7.79	11.45

Source: Bloomberg. As of 8/12/14.

View from the Observation Deck

1. Since the end of 2010, emerging market equities (excluding frontier markets) have looked out-of-favor relative to developed market equities. Could that be changing?
2. From 12/31/10-8/11/14, the MSCI Emerging Markets Index (USD) posted a cumulative total return of just 1.27%, compared to gains of 25.49% and 66.37% for the MSCI World (Ex U.S.) Index (USD) and S&P 500 Index.
3. Year-to-date through 8/11, however, the total returns posted for these three indices were as follows: 7.81% MSCI Emerging Markets; 6.09% S&P 500; and 1.46% MSCI World (Ex U.S.).
4. A similar story holds true for emerging market small-capitalization stocks. From 12/31/10-8/11/14, the MSCI Emerging Markets Small Cap Index posted a cumulative total return of -1.85%, but was up 9.15% y-t-d through 8/11.
5. Investors funneled a net \$8.9 billion into Diversified Emerging Markets (open-end) funds in the first half of 2014, according to Morningstar. Net inflows totaled \$39.0 billion in 2013.
6. While the y-t-d performance figures indicate a bounce in emerging market equities, we encourage investors to spend some time analyzing the figures in the chart. We've included the BRIC (Brazil, Russia, India & China) countries.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Small Cap Index includes small-cap representation across 23 emerging market nations. The Ibovespa Index is weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange. The Russian Trading System Index is a cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks on the Moscow Exchange. The S&P BSE 500 Index is a free-float weighted index that represents nearly 93% of the total market capitalization on the BSE India exchange. The Shanghai Stock Exchange Composite Index is cap-weighted and it tracks the daily price performance of all A-shares and B-shares listed on the exchange. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. The MSCI World (ex-U.S.) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.