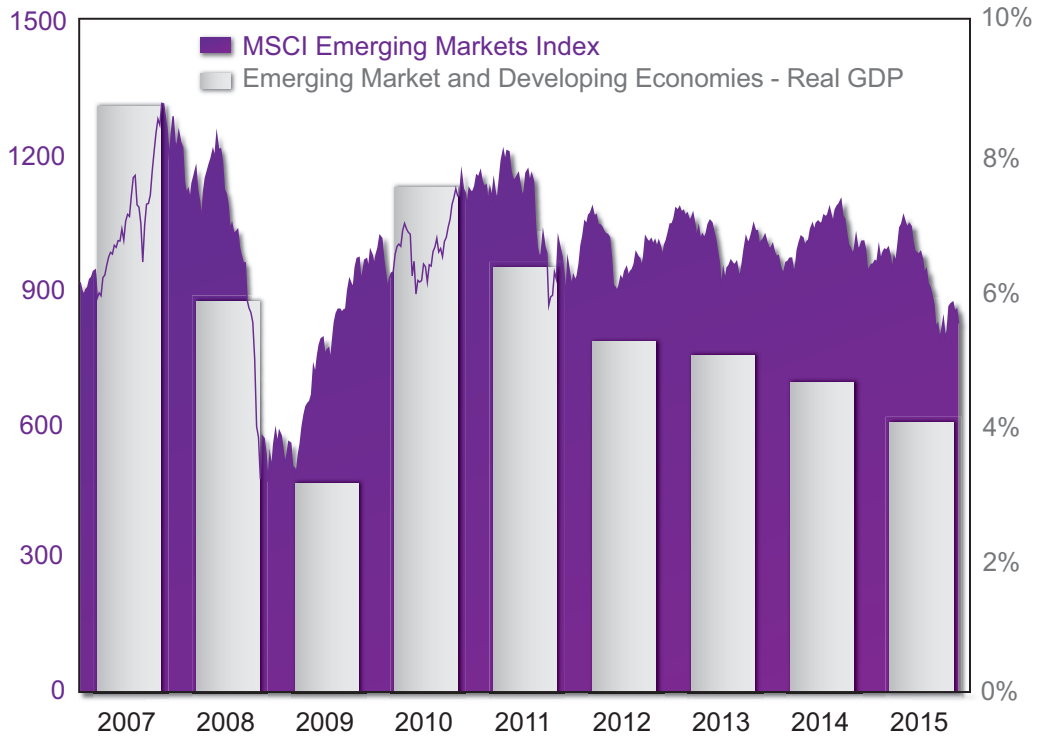


Slower Economic Growth Has Negatively Impacted Emerging Markets Equities

MSCI Emerging Markets Index vs. Real GDP Growth (Emerging Markets)



Source: Bloomberg, International Monetary Fund. MSCI Emerging Markets Index is weekly, price-only data from 12/29/06-11/13/15. Real GDP data is annual from 2007-2015 (2015 is estimated). Past performance is no guarantee of future results.

View from the Observation Deck

1. Slower global growth has been a growing concern for central bankers and investors since at least mid-2014, in our opinion. The U.S. dollar began its strong rally (still active) in July 2014.
2. The Federal Reserve even cited slower global growth as a contributing factor for not raising interest rates at its Federal Open Market Committee meeting in September, though it may not dissuade it from doing so in December.
3. As indicated in the chart, the pace of real GDP growth in emerging economies has slowed from 8.7% in 2007 to 4.6% in 2014, according to the International Monetary Fund (IMF). The IMF is forecasting 4.0% growth in 2015.
4. China's decision to target a 7.5% real GDP growth rate in 2012 has had a major influence on the slowdown in global growth. Its real GDP growth rate was 14.2% in 2007, according to the IMF. China has the world's second largest economy, according to the World Bank.
5. At the close of trading on 11/13/15, the MSCI Emerging Markets Index stood 37.39% below its all-time high posted on 10/26/07, according to Bloomberg.
6. Despite the tough sledding for emerging markets stocks since 2007, investors funneled a net \$5.08 billion into Morningstar's Diversified Emerging Markets category (includes open-end mutual funds and ETFs) in the first 10 months of 2015, according to its own release.
7. Bloomberg's consensus 2015 and 2016 estimated earnings growth rates for the MSCI Emerging Markets Index were 2.39% and 12.18%, respectively, as of 11/19/15.
8. The 2015 and 2016 estimated price-to-earnings (P/E) ratios for the index were 12.13 and 10.81, respectively, as of 11/19/15, according to Bloomberg. The average P/E since the start of 2007 through 11/19/15 was 13.35.

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.