



Robert Koenigsberger
CIO and Managing Partner

Gramercy

March 7, 2011

Emerging vs. Developing Markets

- **Better Debt Dynamics and Credit Valuations**

G-20	Debt to GDP	Credit Rating	5 yr Credit Default Swap
Developed	92.9%	AA+	+ 79 bps
Emerging	34.7%	BBB	+ 181 bps

- **Better Demographics**

G-20	% under 15	Working Age	% over 65
Developed	15.5%	67.0%	17.5%
Emerging	23.6%	68.4%	8.1%

- **Does this question of EM versus DM miss the forest for the trees?**
- **Can EM help corporate pension plans meet their objectives?**

Benefit of a Diversified EM Portfolio

Investment	Return	Max Draw
S&P (Including dividends)	1.61%	-50.95%
Barclays Aggregate	5.90%	-3.83%
60/40 Stocks – Bonds	3.67%	-32.54%
EM Blend*	14.37%	-11.11%
Adding 10% EM Blend	4.73%	-30.35%
Change vs. 60/40 Allocation	1.07%	-2.19%

April 1, 1999 – December 31, 2010

Correlation with EM Blend	Downside Correlation with EM Blend
0.51	0.28

Correlations within EM Blend			
	Distressed	Macro	Equity
Distressed	-	0.13	0.04
Macro	0.13	-	0.38
Equity	0.04	0.38	-

Results of adding 10% EM Blend:

Returns improve by more than 100 bps, while the maximum drawdown is reduced by more than 200 bps

Correlation between EM Blend and traditional 60/40 portfolio is 0.51 but drops to 0.28 during months when traditional portfolio is down