

Discussion Materials for:

EM Risks and Opportunities

Hedge Fund Institutional Forum

Corporate Funds Roundtable

March 7, 2011

William Sterling

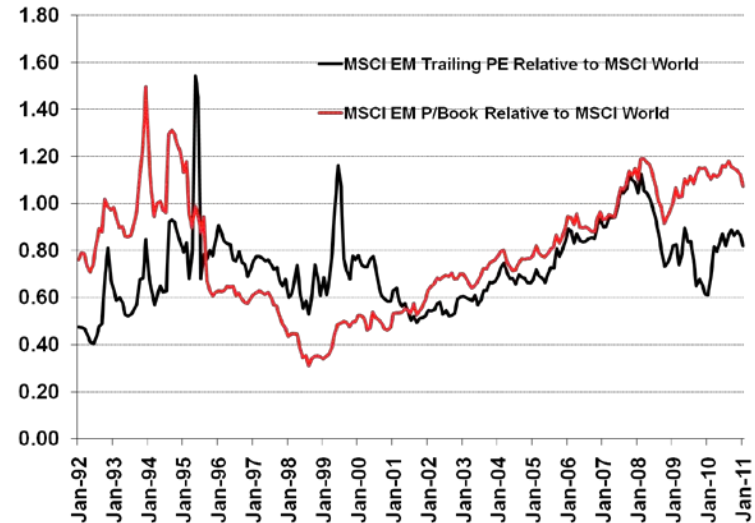
Chief Investment Officer

Trilogy Global Advisors, LP

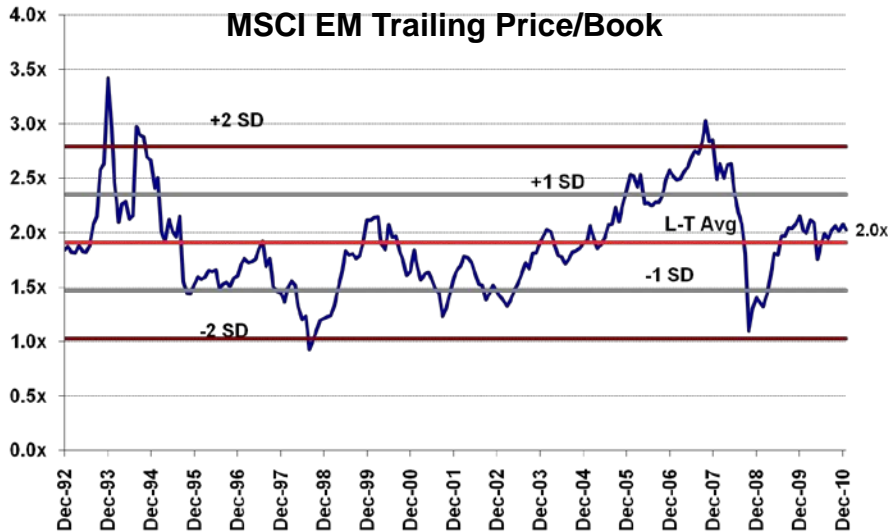
EM Valuations Remain Attractive

- ▲ EM Valuations are slightly below or at their long-run average history and cheaper than DM on the trailing PER metric
- ▲ MSCI EM trailing P/Book is currently 2.0x, up from 1.1x at the October market trough
- ▲ Trailing P/E is currently at 13.4x, 17.4% below long-run average of 16.2x.

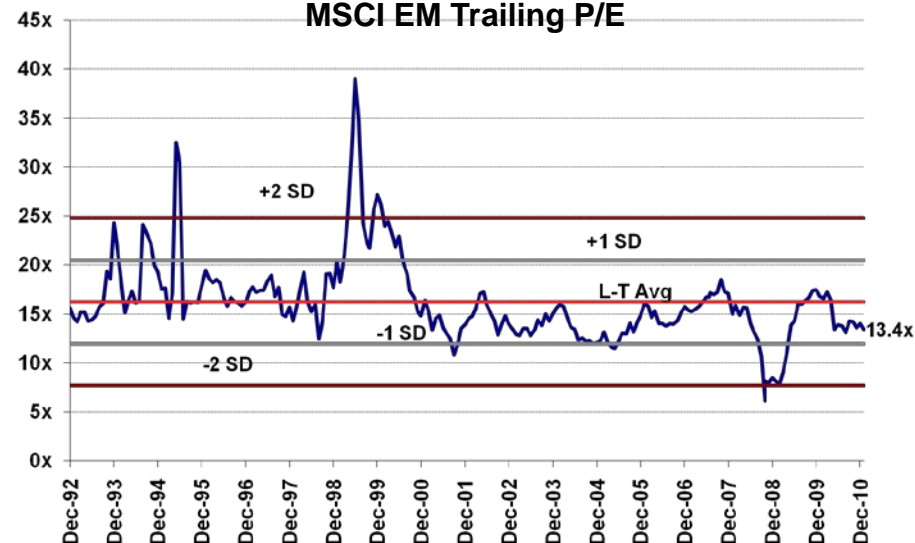
MSCI EM Relative to MSCI World



MSCI EM Trailing Price/Book

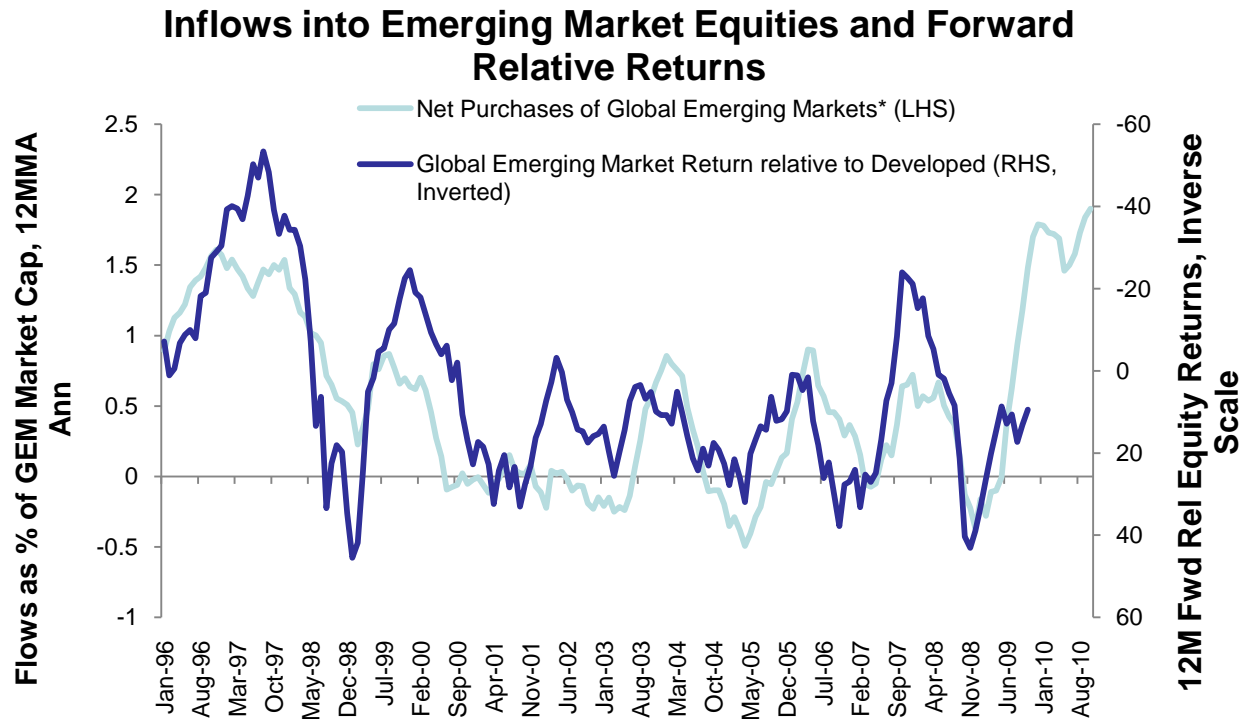


MSCI EM Trailing P/E



Source: MSCI, Morgan Stanley Research, Data as of January 31, 2011.

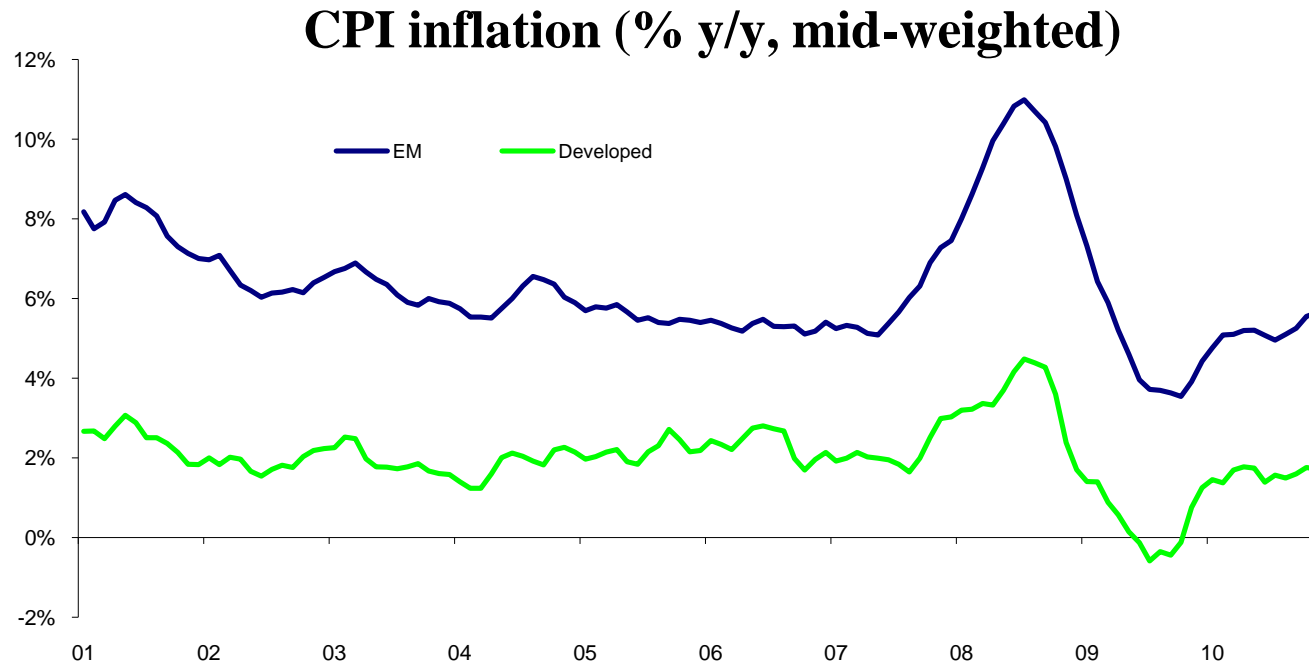
Have Money Flows to EM Equities Been Too Strong?



Source: Ian Scott, Nomura Strategy Research

One notable risk is that money flows to EM equities have been unusually strong of late; historically that has represented a contrarian indicator.

EM Inflation is a Key Risk

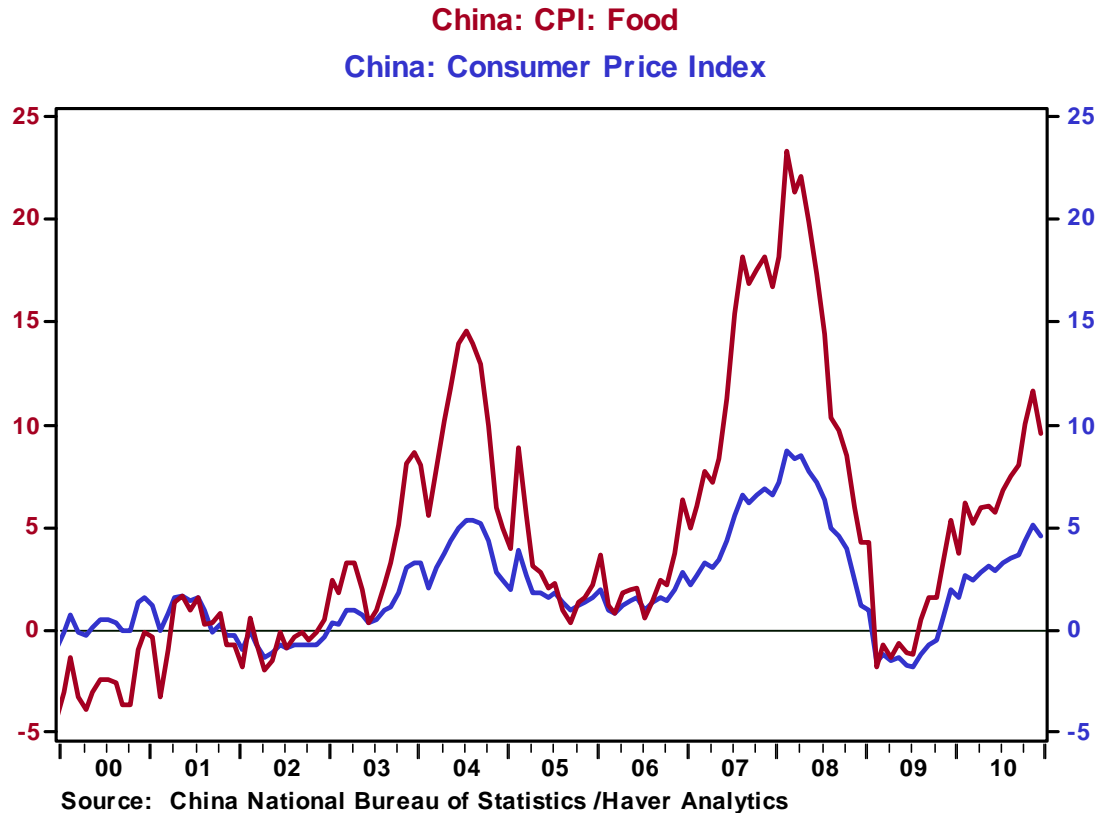


Source: UBS

EM inflation rates have risen in response to robust growth; potential monetary tightening is a key risk to EM valuations.

China is Now Facing Mounting Inflation Pressure

Food Price Inflation Leads China's Overall Inflation



China's policymakers are increasingly concerned about rising inflation pressures, especially related to politically sensitive food prices.