

Emerging Markets by Numbers

Broad universe, bright potential
February 2017

From Asia to Latin America, global emerging markets (GEM) comprise a broad universe and can offer good quality companies across sectors. A young workforce and growing middle-class population underpins its vast growth potential. Some countries, such as India and Indonesia, are stepping up their efforts on structural reforms, which bodes well for long-term growth. A wide choice of owner-operator businesses makes emerging markets particularly compelling.

Growth is moderating but long-term prospects remain strong

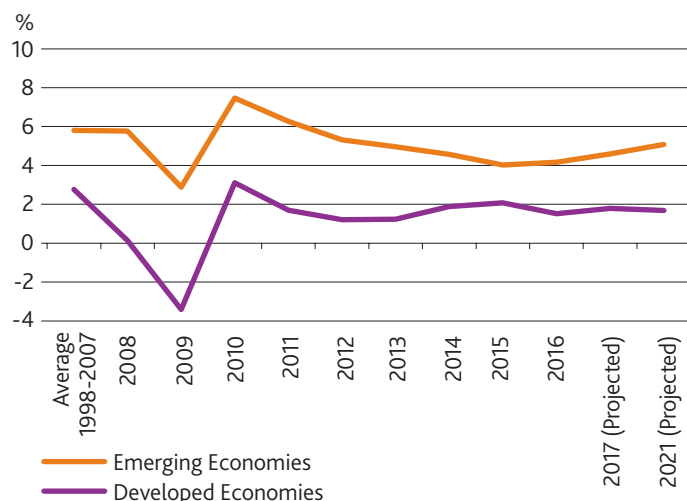
Projected GDP growth in 2021	
Emerging markets	Developed markets
5.1%	1.7%

While growth has slowed down in recent years, emerging economies are still growing faster than their developed counterparts. Between now and 2030*, they will still contribute more than **65% of global growth**.

In 2021, they are projected to grow at **5.1%**, ahead of the developed countries' 1.7% growth.

*Source: Euromonitor International, September 2015. For illustrative purposes only. Forecasts are offered as opinion are not guaranteed and actual events or results may differ materially.

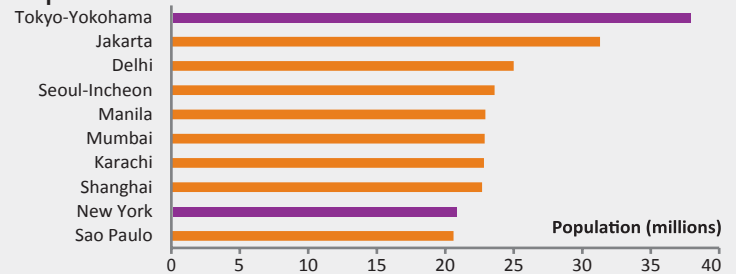
Emerging economies outgrow developed countries



Source: International Monetary Fund, October 2016. For illustrative purposes only. Forecasts are offered as opinion are not guaranteed and actual events or results may differ materially.

Did you know? Eight out of 10 of the world's largest cities are in emerging economies

Population centres

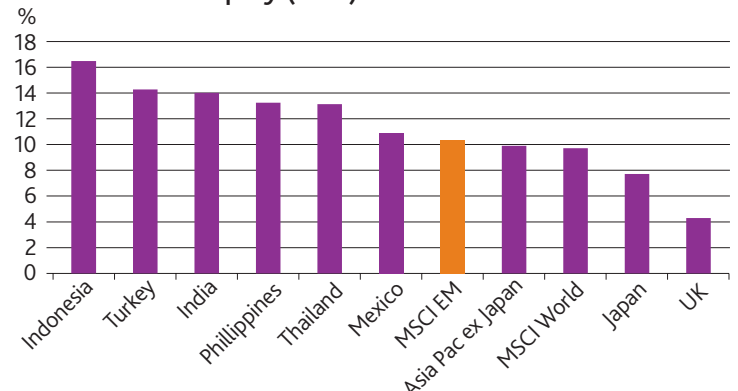


Source: Demographia World Urban Areas, 12th Annual Edition, April 2016. For illustrative purposes only

GEM fundamentals remain intact

GEM is home to plenty of well-run companies with **solid balance sheets**. A disciplined approach to cost-control will help these companies improve profitability amid tougher operating conditions.

Good return on equity (ROE) for GEM



Sources: Bloomberg, MSCI, January 2017. For illustrative purposes only

Huge domestic markets, where consumer is king

In 2010, annual consumption in emerging markets was US\$12 trillion — less than a third of the world's total consumption.

By 2025, however, emerging market consumption is expected to grow to **US\$30 trillion**, or nearly half the global total.



Source: McKinsey Global Institute, October 2013.

Forecasts are offered as opinion are not guaranteed and actual events or results may differ materially. For illustrative purposes only.



India's retail market is expected to grow to **US\$1.3 trillion** by 2020.*

The increase in personal spending could benefit consumer companies such as large and growing nutrition, cosmetics, and other fast-moving consumer products.

*Source: AT Kearney, June 2015.

Backed by a population of 1.3 billion people and rapidly changing eating habits, China's fast-food industry is poised for growth.

This benefits fast-food chains, particularly some of the largest operating in China with multiple venues and outlet growth.



Russian households have an average of 4.3 food stores within walking distance of their homes.*



Aberdeen watches or holds, large mass-market Russian food chains growing in the retail space. A mass-market Russian food chain with 14,059 stores across 2,495 locations, is the country's **largest retailer** by revenue.

*Source: Financial Times, October 2015. For illustrative purposes only.

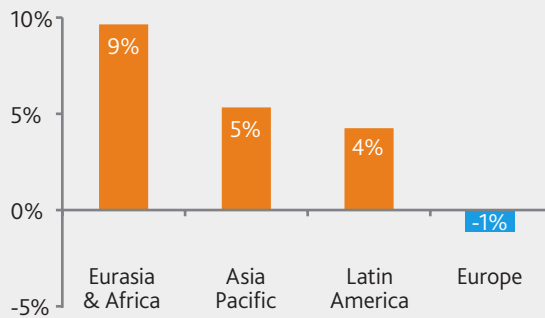


In Latin America, the world's largest franchised company bottling Coca-Cola products serves 357 million consumers globally. The company also runs the largest chain of convenience stores in Mexico.

* This company, which we do not hold, is used for illustrative purposes only and should not be deemed as a recommendation to buy or sell.

Coca-Cola consumption grows fastest in emerging economies

Coca-Cola Volume Growth Average (2010 - 2014)



Source: Coca-Cola Icecek, March 2016.

Financials: Proxies for growth

Banks in emerging economies are well-positioned to benefit from demand driven by an expanding middle class and low penetration rate of financial products. Aberdeen watches closely, or holds, banks in developing nations across the world including Brazil, Chile, Poland, India, Malaysia and others.

With **more than half of the population under the median age of 31**, many banks in the selected emerging markets have taken a lead in digital banking to cater to the younger customer base.

Did you know?

An estimated **2 billion adults globally** still lack access to any form of financial services.



Source: World Bank, December 2016.

Rising connectivity

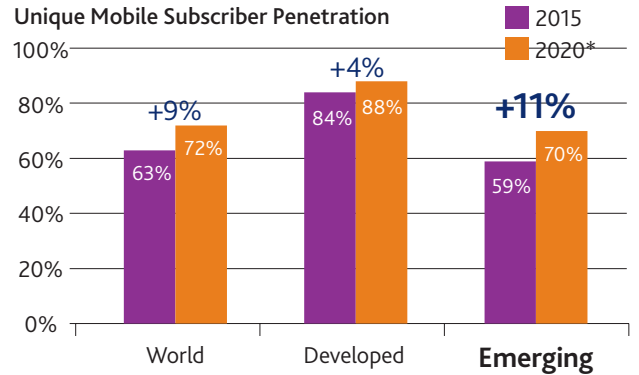


By 2020, a further **one billion unique mobile subscribers** will be added globally, with the vast majority of that coming from emerging economies. The world's two largest mobile markets, China and India, are forecast to account for 45% of the subscriber increase.

With our "boots on the ground," Aberdeen closely watches, or holds, regional telecommunication service providers across the emerging markets, such as in India, China, South Africa, Taiwan, and others.

Source: GSMA, February 2016.

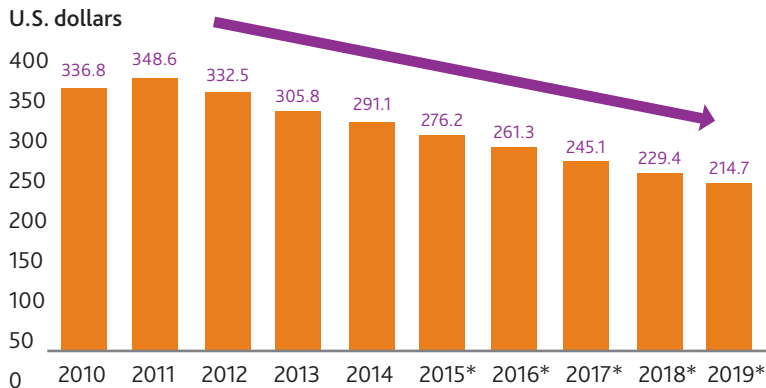
Emerging markets to drive mobile growth



Source: GSMA Intelligence, February 2016. *Figures are estimates.

Affordability has been the key restraining factor for smartphone ownership in emerging markets but this is rapidly changing as the **cost of smartphones is falling**.

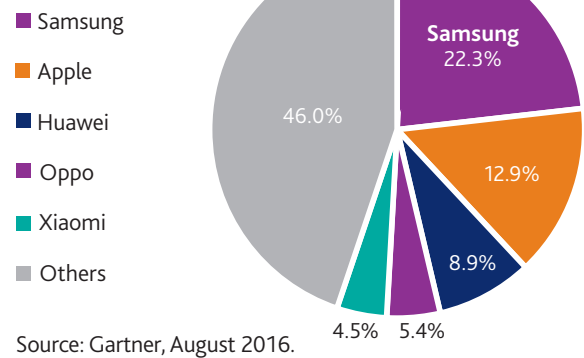
Global average selling price of smartphones from 2010-19



Source: Statista, May 2016. *Figures are estimates.

This could support sales for companies that have a leading global share of smartphones.

Worldwide smartphone sales market share (2016 Q2)



Source: Gartner, August 2016.

Infrastructure holds the key to reforms



In India, Modi's government is looking to spend more than US\$59 billion to upgrade the nation's rickety infrastructure in 2017-18.[^] Companies such as **a large cement oriented company** could stand to gain from this.

[^]Source: Bloomberg, February 2017.

Meanwhile, the Indonesian government's total infrastructure spending from 2015-2019 is expected to exceed US\$340 billion.* Beneficiaries of a boost in government spending include **cement producers..**

*Source: Deutsche Bank, May 2016.

Contact us

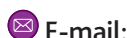
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- Well resourced, large, stable team
- AUM run by GEM team US\$36.7bn*

Stock selection is crucial

- Intensive company reviews
- Proprietary research/visit note gives deeper insight
- Always meet & interview a company before investing
- Quality and price criteria
- Independent – not benchmark driven

*Source: Aberdeen Asset Management, December 2016

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