

Mirae Asset Global Investments

2014 Emerging Markets Outlook



About Mirae Asset Global Investments

Mirae Asset Global Investments is one of the world's largest investment managers in emerging market equities.* With over 570 employees, including more than 124 dedicated investment professionals, Mirae Asset offers a breadth of emerging markets expertise from its offices in Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Korea, Taiwan, the U.K., the U.S., and Vietnam. The firm manages approximately \$60 billion in assets globally, of which more than \$18 billion is invested in emerging market equities.**

www.miraeasset.com

*Source: Investment & Pensions Europe, January 2013

**As of November 30, 2013

2014 Emerging Markets Outlook

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Executive Summary

In 2013 the broad emerging markets universe significantly underperformed the developed markets over concerns of slower emerging market growth and tapering of the Federal Reserve's quantitative easing (QE) program. Emerging market economies with weak and fragile fundamentals lagged the most.

In 2014, we believe that policy decisions, such as U.S. Fed tapering, will continue to play a key role in the global markets. The Fed decision on December 18, 2013 to take its first steps towards unwinding its stimulus packaged was underpinned by favorable economic data. The confidence in its economy expressed by the Fed should serve as a positive undertone for the financial markets. At the same time, we expect to see other major central banks such as the Bank of Japan and the European Central Bank continue to funnel liquidity into the markets. Meanwhile, the concerns surrounding U.S. fiscal policy that weighed on global markets going into 2013 have, for the most part, subsided and are not expected to be a meaningful headwind in the upcoming year. In the emerging markets, China, which many feared would experience a hard landing, has recently emerged as a positive market influence after demonstrating that its economy has stabilized and is putting

forward credible plans for reform following the completion of China's Third Plenum Session in November. Investors are expected to remain focused on China's restructuring from an investment-led economy to one that is more balanced and consumption-led. In addition, it will be important for investors to understand and distinguish what have become "diverging" markets within the developing world. Over the past decade, emerging markets performed roughly in line with each other. Instead, going forward, we expect that wide disparities amongst emerging market economies, even within the same region, will manifest themselves through the varying equity market performance that we have already begun to see, on both a country and a sector basis. Therefore, we believe that selective investment through a bottom-up approach is imperative when investing in the emerging markets.



Asia

In addition to the focus on China's government reforms and progress towards rebalancing its economy, there will be continued attention on the U.S. Fed policy normalization and its impact on varying economies within the region. However, underneath all the noise of Fed tapering and Chinese rebalancing, we believe that Asia remains a key driver of global growth and the key to this growth is Asia's domestic demand story. We continue to view some of the most compelling industries to be those focused on consumption in areas such as internet, healthcare, travel and leisure. In India and ASEAN countries, political developments should be closely monitored, especially the important elections in India and Indonesia. The upcoming elections will likely increase uncertainty and market volatility but may prove vital in reviving growth and in setting the direction for future structural reforms. Overall, our investment strategies remain focused on companies with scalable business models and unrivaled execution capability within the core themes of consumption, beneficiaries of a greener China and online/mobile technology.

EEMEA

Improved economic growth in 2014 should help buoy equity markets in the region. We remain cautiously optimistic on Russia. The country stands out favorably relative to other emerging economies as developed markets move closer towards normalization of monetary policy, but Russia is still dependent on commodity exports and lacks progress on necessary structural reforms. We continue to favor high-quality companies in industries generally left alone by the government such as retail and internet, or those that may benefit from government policy such as oil service companies. In South Africa, due to sluggish growth and twin deficits, we favor select consumer names exposed to the upper-end consumer and healthcare names. In Turkey, we are constructive on companies that may benefit from structural growth stories such as auto companies and airlines that may be assisted by government policies ahead of local elections in 2014.

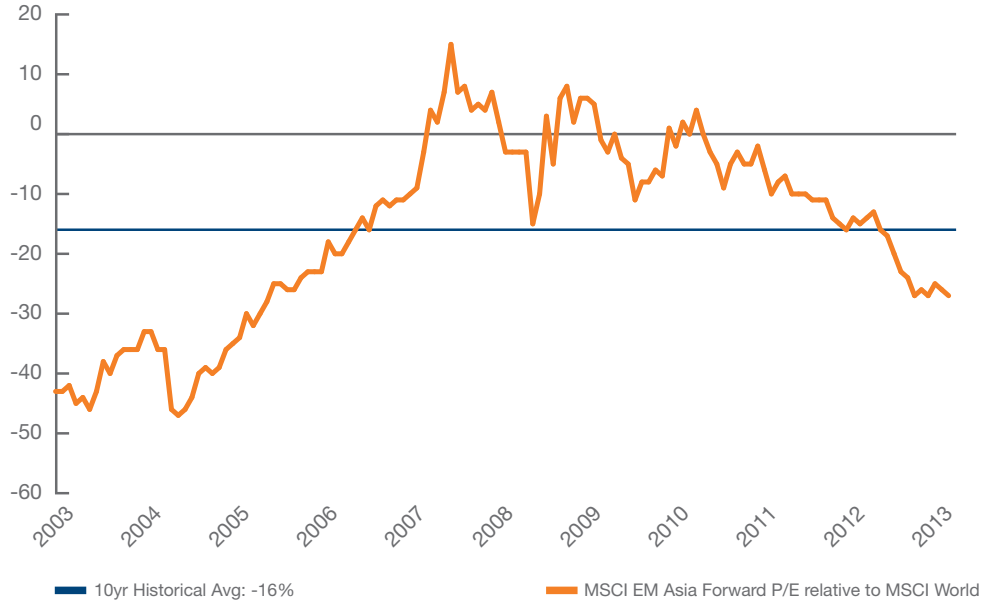
Latin America

Growth, confidence and politics are likely to underpin absolute and relative performance of Latin American equity markets in 2014. The trajectory of Brazil's economy will be impacted both by presidential elections and major sporting events, while Mexico is expected to return to robust growth following a brief hiatus in 2013. The Andean region remains a high-growth opportunity, and the investment backdrop in Chile, Colombia and Peru should continue to be attractive. The expansion of the middle class will remain a key theme within Brazil, favoring sectors such as financial services, education and retail. Within the Mexican equity market we see attractive upside potential in the banking, commercial real estate and industrial sectors.

Asia

2013 was a year in which central banks played an extraordinary role in influencing the global markets. The start of the year was marked by an unprecedented loose monetary policy by the Bank of Japan, mirroring the actions of the U.S., triggering sharp depreciation of the Japanese Yen and strong outperformance of the Nikkei index. In mid-year, domestic demand led economies with current account deficits, such as India and Association of South East Nations (ASEAN) countries, were challenged on fears of tapering of the U.S. Federal Reserve's QE program. China continued to experience sharp volatility between fears of a hard landing and optimism for reforms led by the new leadership.

ASIA'S DISCOUNT VS. WORLD — BIGGEST SINCE THE FINANCIAL CRISIS

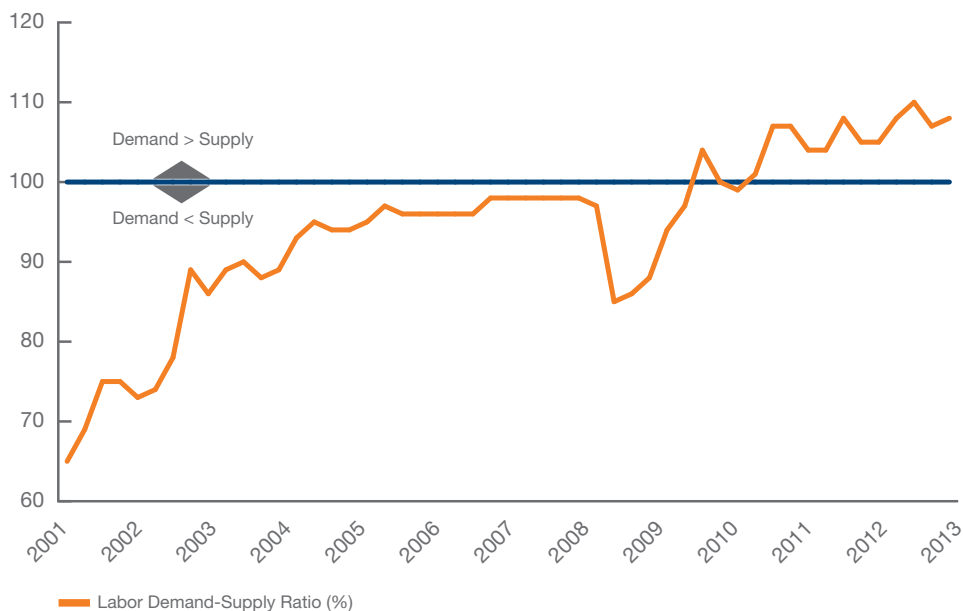


Source: I/B/E/S, as of November 30, 2013

Following the strong performance of developed markets in 2013, Asia has been trading at a historically high discount. We believe the valuation gap will narrow throughout 2014 as investors become more confident in the Asian growth story through higher visibility in China's transition towards a market economy and a growth revival in India and Indonesia through progressive leadership after the elections. Meanwhile, unlike the past decade in which emerging markets performed roughly in line with one another, we anticipate performance for individual countries to be more discerning, making selective investments through a disciplined bottom-up approach even more crucial.

Our investment strategies continue to focus on companies with scalable business models and unrivaled execution capability. Consumption continues to be a core theme, especially in those underpenetrated, rapidly growing segments such as branded snacks, travel and entertainment, luxury goods and healthcare. We are also positive on consumer focused banks and insurance companies of China, India and ASEAN as they may benefit from the rising consumption and retirement savings trend. A cleaner and greener China through wind and gas distribution companies also remains a key theme as China shifts to higher quality and sustainable growth. Last but not least, technology as a harbinger of changing consumer habits through social networking sites and an e-commerce shift is of interest along with smartphone and IT services for software customization

CHINA — TIGHT LABOR MARKET DUE TO DROP IN WORKING POPULATION



Source: CEIC, as of September 30, 2013

China

Expectations for reforms remain high after the end of the Third Party Plenum Session in November. Though detailed plans to the reforms have yet to be announced, consolidating the current leadership's power base, sharing more tax revenues with local governments, encouraging investments into the private sector and relaxing the single child policy would help correct some of the imbalances in the economy. In the coming quarters, hopes of reforms combined with the government's efforts to shift away from investment-led growth may lead to investors accepting lower but more sustainable levels of growth. Moreover, we view that low unemployment levels and rising wages will further reinforce this shift. Thus, over the medium-term, we believe that industries focusing on consumption such as internet, healthcare, travel and leisure can benefit from this trend.

Korea and Taiwan

Our view is that significant economic pick-up remains elusive given the relative exposure that these economies have to cyclical sectors, and given their less compelling demographics (e.g. aging populations). We believe that despite a global growth recovery, shorter IT product cycles and China's rebalancing will cap significant upside for cyclical sectors. Korea's economy faces headwinds from a depressed property market and sluggish domestic investment as companies expand overseas. Additionally, recent strengthening of the Korean won and weakening of a competing Japanese yen could prove challenging for exporters and cause concern amongst investors. We continue to favor globally competitive companies in the IT and industrial sectors, as well as those capitalizing on consumer-related themes such as travel

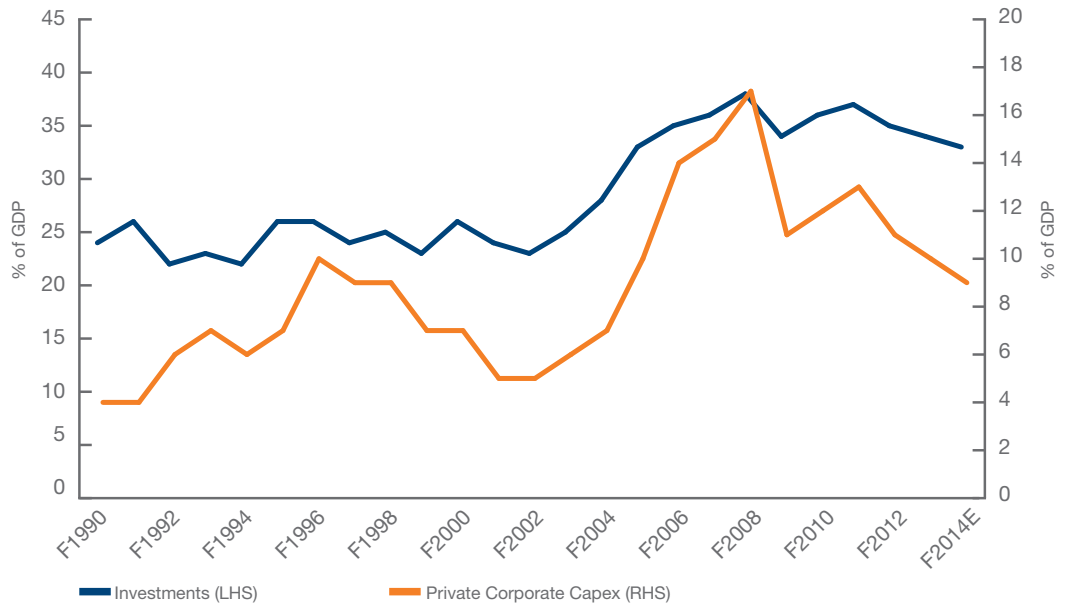
The Reserve Bank of India has a new and credible governor who already has instituted effective, forward-looking measures including plans of financial reform.

and tourism. China's inevitable rebalancing is likely to cap corporate capital expenditures and commodity demand may in turn limit re-stocking. For a technology-heavy Taiwan, slow growth in PCs, rapid commoditization and client concentration in smartphones have put relentless pressure on the technology supply chain. We find it a challenge identifying attractive, long-term structural investment stories in Taiwan. We view opportunities to be limited to smaller companies with unique strengths in consumer segments such as snacks and travel.

India

Though severely impacted by fears of QE tapering after years of higher-than-expected growth financed by cheap money, we view that the pragmatic attitude of the central bank — raising interest rates to slow domestic consumption and allowing currency depreciation — will likely prevent the tail risks that triggered the 1997 Asian Financial Crisis. However, India will likely remain under the spotlight as we anticipate that the volatility that we've seen in the rupee and Indian equities this past year will continue. The Reserve Bank of India has a new and credible governor who already has instituted effective, forward-looking

INDIA — PRIVATE CORPORATE CAPEX IMPACTED BY POOR POLICY ENVIRONMENT



Source: CSO, Morgan Stanley Research, E-Morgan Stanley Research Estimate

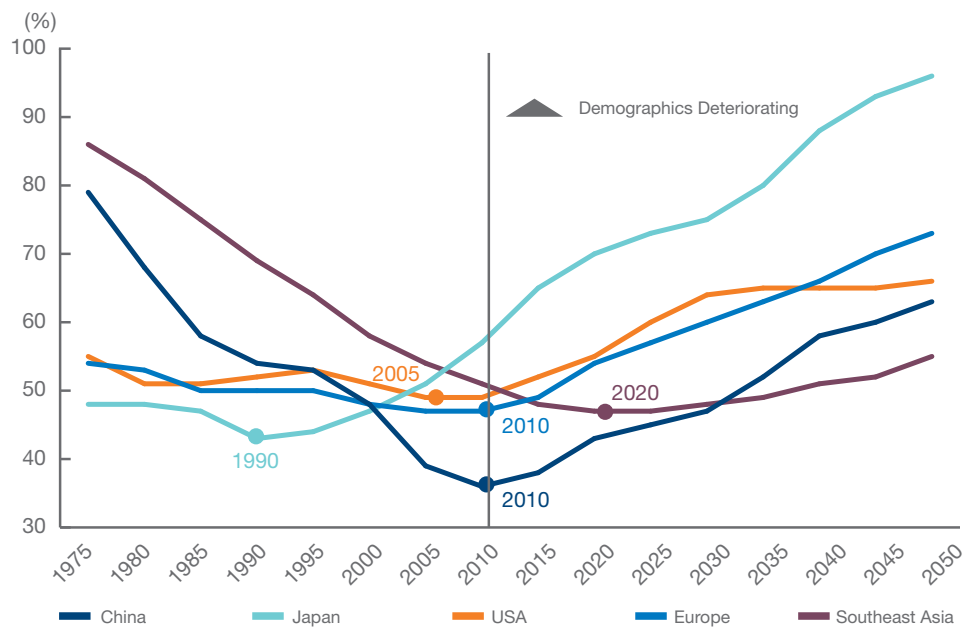
ASEAN

measures including plans for financial reform. While these actions have calmed the markets and instilled some confidence, much uncertainty remains. Attention will turn in the upcoming months, not only to the impact of impending Fed tapering, but also India's general elections in May 2014. What is now needed is a pro-business verdict which can rekindle domestic investment and infrastructure growth to get the economy back on a growth trajectory over the next two to three years. Accordingly, in addition to exporters in IT, pharmaceuticals and auto companies, we view domestic cyclicals to benefit from improved sentiment post elections.

2013 was a year of two distinct halves — from being the best demographic growth story during the first half of the year to spiraling downwards in the latter. The economies entered a slowdown phase post mid-year as Bank Indonesia raised interest rates and the one-time wage boost and tax cut stimulus ended in Thailand. We believe that the region will go through a period of uncertainty over the coming quarters until political clarity emerges in Indonesia (the presidential elections scheduled in July 2014) and Thailand (over the controversial amnesty bill for former Prime Minister Thaksin)

while valuations normalize in the Philippines and Malaysia. The region's favorable demographics are important to the equity growth story and if backed by good governance, it may, in our opinion, provide another investment opportunity for investors.

ASEAN — LOW AGE DEPENDENCY RATIO PRESENTS FAVORABLE DEMOGRAPHIC CONDITIONS



Source: UN Populations Prospects, 2012 Revision

*Age dependency ratio is the ratio of dependents — people younger than 15 or older than 64, to the working-age population — those ages 15-64.

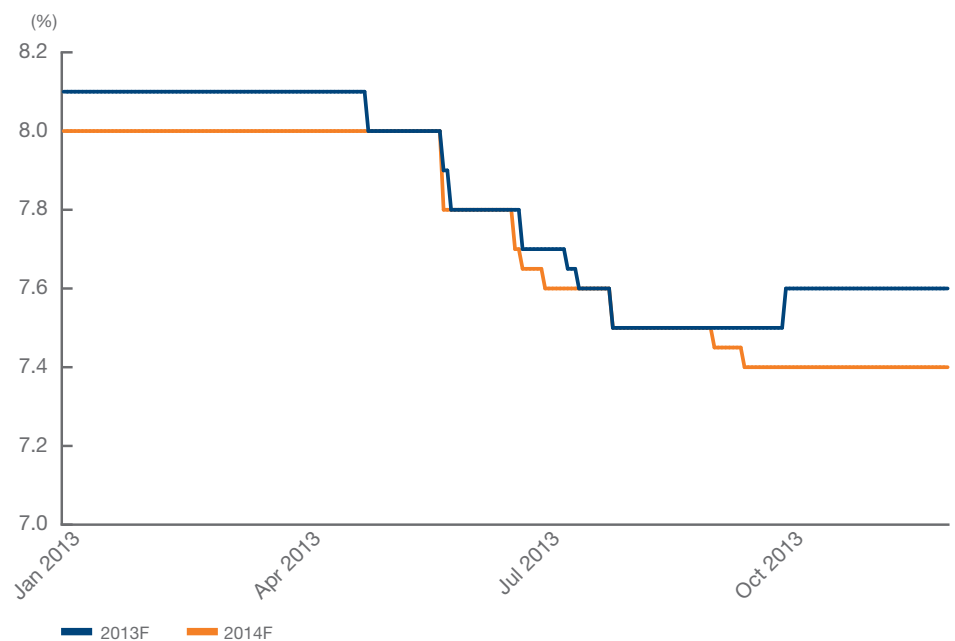


China in Focus

AFTER A YEAR OF FEAR, DOUBT AND HOPE, market consensus for China's 2014 GDP growth has converged towards the mid 7% level, similar to that of 2013. This can be interpreted that the market has ratcheted down its expectations of what was once high growth to a more modest, but still healthy, level. China's economic data from the past several months suggest that the economy has stabilized and inflation has been maintained at a manageable level. At the same time, positive developments in recent months on the reform front suggest that the government is focused on, and making progress with, rebalancing its economy to achieve a more sustainable and higher-quality growth trajectory.

Positive developments in recent months on the reform front suggest that the government is focused on, and making progress with, rebalancing its economy to achieve a more sustainable and higher quality growth trajectory.

MEDIAN MARKET FORECAST ON 2013 AND 2014 GDP GROWTH

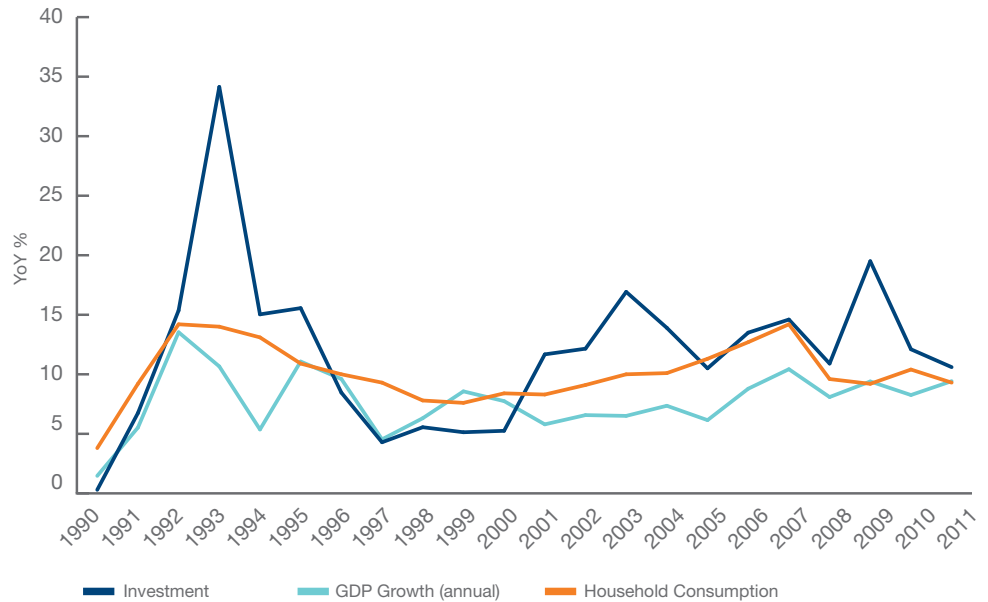


Source: Bloomberg, as of Nov 2013

The main difference we expect to see in China's economic growth in 2014 compared to 2013 is the mix of growth drivers. In 2013, fixed asset investment growth remained strong, mainly driven by infrastructure and property investment. Consumption growth has been stable while export growth was relatively weak. However, based on signals from the Third Plenum Session, in 2014, we expect contributions from fixed asset investments to gradually weaken as no major government investment is expected. Consumption is likely to expand at a stable pace of low to mid-teen levels and exports will improve compared to 2013 levels as the overall global economic recovery continues.

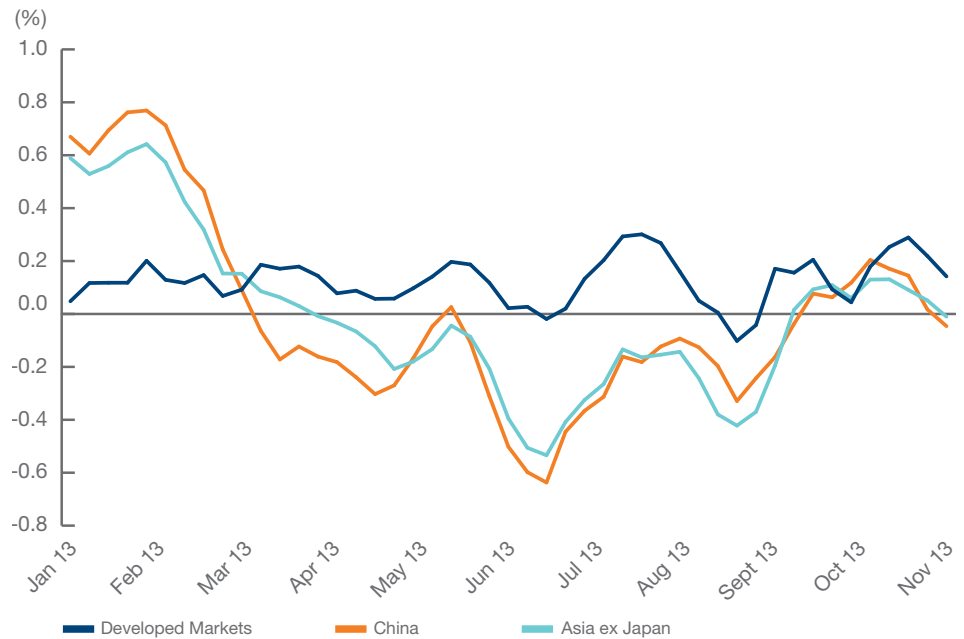
As such, the global economic recovery will be a key external positive catalyst for the Chinese market in 2014. Though slower than expected, the U.S. and EU economies are on the track of recovery. We expect the uptrend to continue throughout 2014, providing improved conditions for export growth and investment sentiment in China. Moreover, positive economic recovery trends may reverse the recent fund flows, which have been concentrated in the developed markets, back into the emerging markets, including China, as investors search for greater growth leverage.

INVESTMENT AND HOUSEHOLD CONSUMPTION GROWTH, 1990-2011



Source: World Bank World Development Indicators, based on most recent data available

2013 YTD WORLDWIDE EQUITY FUND FLOWS



Source: EPFR, as of Nov 2013

Reforms are expected to start with the implementation of market-driven mechanisms and deregulations in many industries, and the Shanghai Free Trade Zone will be the test market for these changes.

The main external risk factor to the Chinese economy, as with any other emerging market country, is the U.S. Federal Reserve's tapering of its asset purchase program. Fears of tapering caused a mass exodus from emerging markets, especially Asia, in 2013, and thus the market will continue to focus on the actual tapering program and the Fed's forward guidance. So far, indications are for a very light and gradual unwind of quantitative easing. The Fed's dovish comments released in its policy statement December 18, 2013 suggest that it plans to scale back with caution, keeping monetary conditions liquid and loose, and interest rates low. Given the recent meaningful improvements in the U.S. and EU real economies (eg. production, consumption and employment) and its positive implication for the global economy, if the current recovery trend further progresses in 2014, we anticipate an exit can be made with minimal market impact.

Domestically, materialization of the government reform plans will be key. The government's reform plans have been announced and hinted through numerous sources, most recently after the Third Plenum Session in early-November, yet it remains broad in scope and lacks details. Thus, specific measures that may be

announced in the coming quarters will provide a positive boost to the market. In particular, the market will be closely monitoring announcements related to the Shanghai Free Trade Zone*, as it will be a good illustration of the government's reform plans. Reforms are expected to start with the implementation of market-driven mechanisms and deregulations in many industries, and the Shanghai Free Trade Zone will be the test market for these changes. The reform plans are a long-term policy and immediate measures taken will unlikely be dramatic in scale. However, we believe that this aim for change is a positive factor and we anticipate the market to also accept it as a new structural growth potential for the economy.

In regards to the various issues such as shadow banking, local government debt, property market bubble and overcapacities in industries that have weighed down the market in 2013, we expect it to have less of an impact in the upcoming year. Though they may not be immediately resolved, we consider them to be within manageable levels and under control by the government. Therefore, we do not believe they will pose an imminent risk to the Chinese economy in 2014.

Key reforms announced after China's Third Plenum Session

Reform	Details	Related Sector
Financial Liberalization	Liberalize interest rates and improve the Renminbi exchange rate formation system Ease regulation for registration of private financial firms	Insurance, Securities
Land and Hukou Reform	Promote transfer of rural properties Speed up Hukou (household registration) system	Property, Consumer
Factor Price Liberalization	Liberalize pricing for water, gas, electricity etc.	Refineries, Gas and Utilities
State-Owned Enterprise (SOEs) Reform	Improve governance and administrative mechanism of SOEs	Broad market impact
Fiscal and Tax Reform	Expand property tax and value added tax	Broad market impact
Social Policy Reform	Expand pension system	Insurance
Relax Single-Child Policy	Couples permitted to have two children if one of the parents was an only child	Broad market impact
Energy Policy	Policies for saving energy and anti-corruption measures within the energy sector	Wind, Gas and Solar energy related companies
Local Government Debt	Allow local governments to issue municipal bonds	Banks

Summarized by Mirae Asset Global Investments

*China (Shanghai) Pilot Free Trade Zone

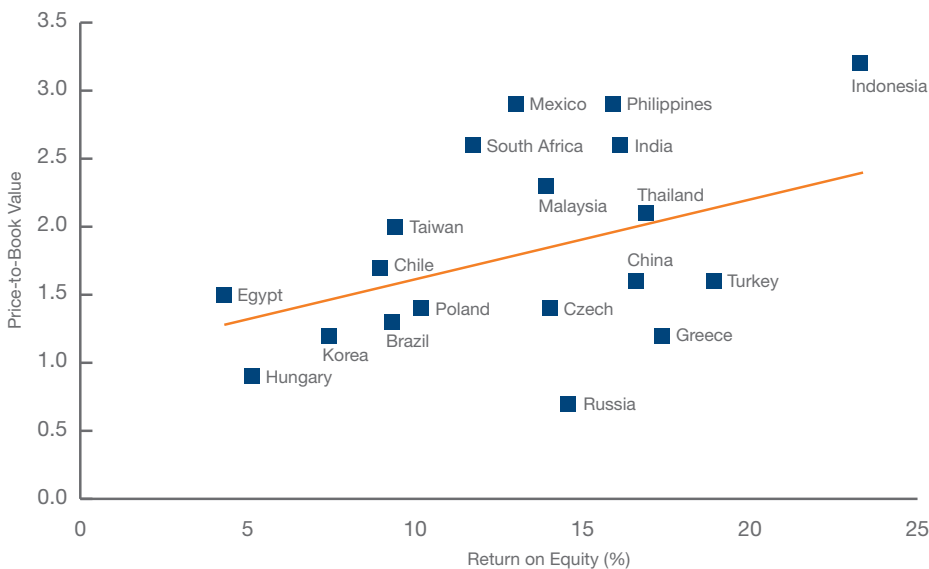
The China (Shanghai) Pilot Free Trade Zone (Shanghai FTZ) was officially launched on September 29, 2013. Shanghai FTZ is located in eastern Pudong, covering four existing special trade zones — Shanghai Waigaoqiao Free Trade Zone, Waigaoqiao Bonded Logistics Park, Yangshan Free Trade Zone and Shanghai Pudong Airport Free Trade Zone. Characterized as an experiment by the Chinese officials, during the course of two to three years, the region will be a testing ground for economic reforms including investment, international trade and finance. While more-detailed plans are yet to be disclosed, according to the General Framework Plan, Shanghai FTZ will aim to:

- 1) transform government's role to post-registration supervisory authority;
- 2) accelerate RMB convertibility and open up financial service sector to foreign investors;
- 3) eliminate or relax foreign investment restrictions in other service sectors such as shipping, commerce, specialty, culture and social;
- 4) develop headquarters and explore new forms of trading;
- 5) set up new models for customs monitoring; and 6) implement policies to facilitate investments and innovation.

Eastern Europe, Middle East and Africa (EEMEA)

2014 will be an exciting year for the EEMEA region as Greece rejoins the MSCI Emerging Markets Index. The United Arab Emirates and Qatar will also join the index in May 2014. The addition of these countries will increase the weight of the EEMEA region in the index and expand the diversity of investment options. After weak performance in 2013, we expect improved performance for the region in 2014, but with wide variation across countries and sectors. Overall, we expect improved economic growth in 2014 relative to 2013 across the region, which will buoy equity markets.

EMERGING MARKETS COUNTRIES — P/BV VERSUS ROE (%)



Source: Bloomberg, as of December 9, 2013

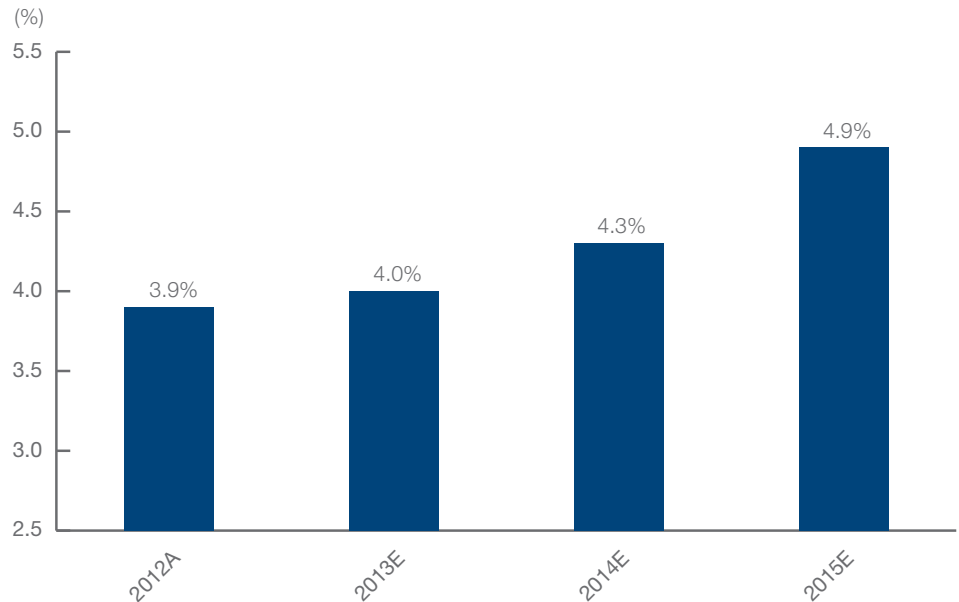
The region is heavily exposed to Europe and any improvement in economic growth there will disproportionately benefit EEMEA relative to other emerging market regions. Countries such as Poland and Greece stand out in this regard. The US Federal Reserve's tapering plan could also have a material effect on equity market performance in the region (both positive and negative) as countries that have material fiscal and/or current account deficits such as Turkey and South Africa could be vulnerable, while Russia could be a beneficiary. Commodities also play a big role in EEMEA and with a generally unexciting outlook for commodities in 2014; markets such as Russia and South Africa will not have a tailwind, but also should not face significant headwinds. Given so many moving pieces, we believe stock selection will be key to investing in this region in 2014. The region offers a number of bottom-up investment opportunities that benefit from strong earnings growth and structural growth stories that makes us cautiously optimistic in 2014.

Russia

While Russia remains cheap relative to the emerging markets, the question remains if the gap can narrow. We see reasons for optimism in 2014. As developed markets move closer towards a resumption of normal monetary policy and rising interest rates, Russia will stand out favorably compared to other markets like Turkey or Indonesia. The ruble is not particularly vulnerable and given Russia's low level of outstanding government debt, the country will not be as affected by rising global interest rates. Furthermore, increased dividend payout ratios and dividend yields in the market are making the market more attractive to value and income investors. However, sustained outperformance requires real structural reforms to the economy and political system, which is not imminent in the near future. Rising oil and commodity prices can also keep the market hot, but a sustained commodity boom is unlikely. Hence, while we are generally positive on the Russian market in the context of emerging markets, the market should be still viewed as one to trade.

Our strategy is to remain invested in high-quality companies in industries generally left alone by the government such as retail and internet, or in companies that benefit from government policy such as oil service companies that benefit from local content requirements. We remain most positive on consumer-oriented stocks (including internet).

RUSSIA — RISING DIVIDEND YIELD MAKES THE MARKET MORE ATTRACTIVE



Source: Bloomberg, as of December 6, 2013

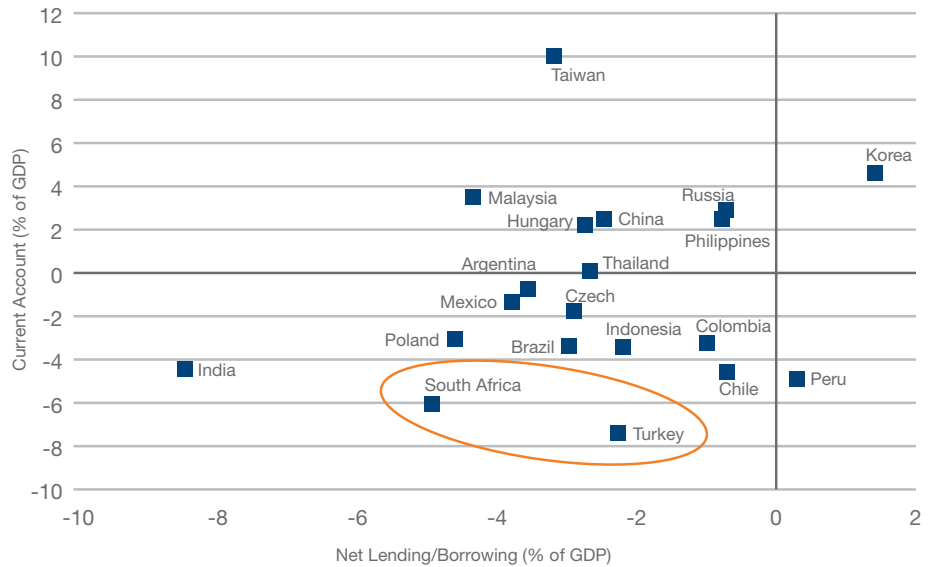
The consumer remains relatively healthy and there are a number of companies in the space that also benefit from a structural growth story. There are also tactical trading opportunities. For example, any improvement in economic growth globally will help some of the beaten down, cheap cyclical stocks in Russia such as steel companies. We continue to be wary of many of the natural resource companies and government-controlled entities that can be affected by adverse government policy and generate poor returns on invested capital.

Our strategy is to remain invested in high quality companies in industries generally left alone by the government such as retail and Internet, or in companies that benefit from government policy such as oil service companies that benefit from local content requirements.

Eastern Europe, Middle East and Africa ex Russia

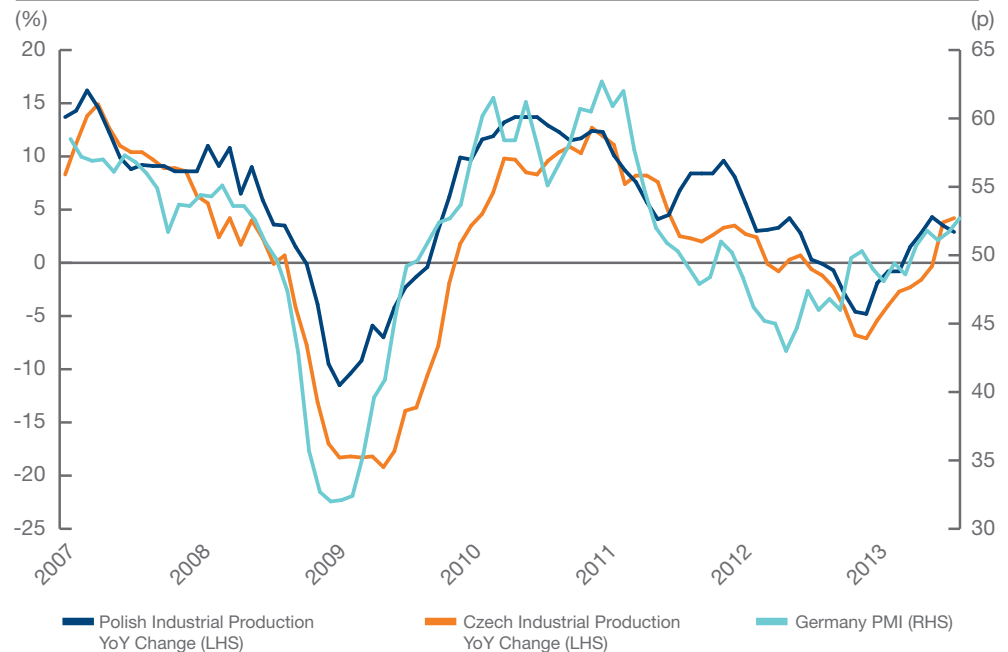
EEMEA ex-Russia is now trading at a slight premium relative to its 10-year history on a forward P/E basis with Poland and South Africa trading at premiums, while Turkey is trading at a slight discount. While we do not expect a wholesale market re-rating, an acceleration of earnings growth should lead to decent performance in the region. Regarding specific markets, we are cautious on South Africa. The country continues to be beset by sluggish economic growth, twin deficits (fiscal and current account) that will keep the rand volatile and equity valuations generally expensive. We also note the prospect of labor unrest, power shortages, and the upcoming general election in 2014, which could disrupt the equity market. We are more positive on Central and Southern Europe as improved economic growth should lead to earnings growth in the region in 2014 after an earnings contraction in 2013. Nonetheless, there are limited investment opportunities outside of Poland. Within Poland, changes to the country's pension system would negatively affect parts of the equity market, and the lack of attractive non-financial and non-state-controlled companies also limit the investment universe. Meanwhile, Greece provides the most direct way to play stabilization of the Eurozone. We are bullish on Turkey long-term, but near-term the country faces headwinds as the Central Bank tries to navigate rising inflation without directly raising interest rates. The lira remains vulnerable given Turkey's dependence on short-term portfolio flows to finance its large current

EEMEA — SOUTH AFRICA AND TURKEY STAND OUT AS VULNERABLE



Source: IMF, 2013 estimates as of October 2013

CENTRAL EUROPE — BENEFITTING FROM IMPROVING ECONOMIC CONDITIONS IN GERMANY



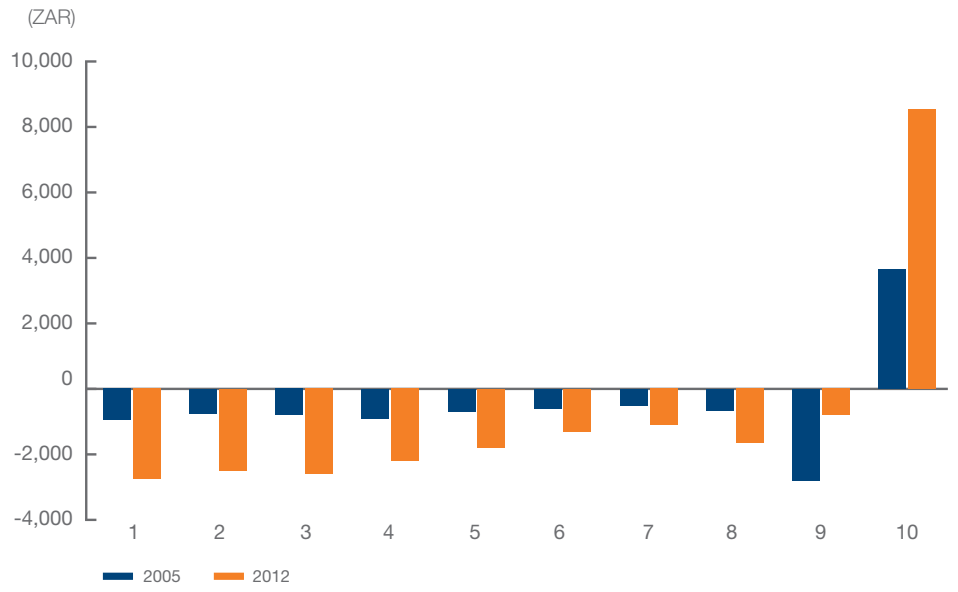
Source: Bloomberg, as of end-November, 2013

account deficit. Turkey is the country most at risk to Fed tapering, while local elections in 2014 could mark a return to the political unrest seen in May and June of 2013, and negatively affect the equity market.

In Turkey, we are constructive on companies that benefit from structural growth stories such as auto companies and airlines that will also be assisted by government policies likely to favor consumer spending ahead of local elections in 2014. We are, however, cautious on banks in Turkey as rising interest rates can hurt net interest margins and lead to decelerating loan growth.

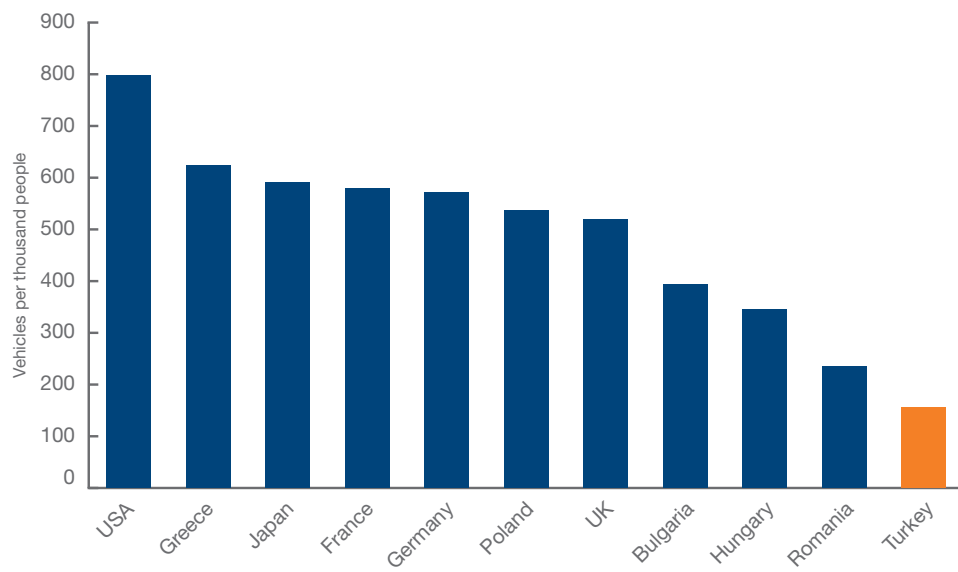
We are focused on investing in high-quality companies with sustainable growth opportunities and defensible business models. In South Africa, we favor select consumer names exposed to the upper-end consumer that benefit from low interest rates, and healthcare names that take advantage of increased healthcare spending. We continue to avoid unsecured lenders, companies highly exposed to the rand, and consumer companies exposed to the mass market. In Central and Southern Europe, we are positive on companies most exposed to a rebound in domestic and European economic growth such as high quality and well-capitalized banks. We are also more positive on healthcare companies that are seeing an improved business climate and acceleration of earnings growth. We continue to avoid low return on equity state-controlled companies with limited growth potential.

SOUTH AFRICA — HIGH END CONSUMER STILL SEEING GROWTH IN DISPOSABLE INCOME



Source: HSBC, based on most recent data available
 Note: Monthly household net income after expenses and debt servicing cost, by income decile.
 ZAR = South African Rand

TURKEY — GROWTH POTENTIAL FOR THE AUTOMOBILE INDUSTRY

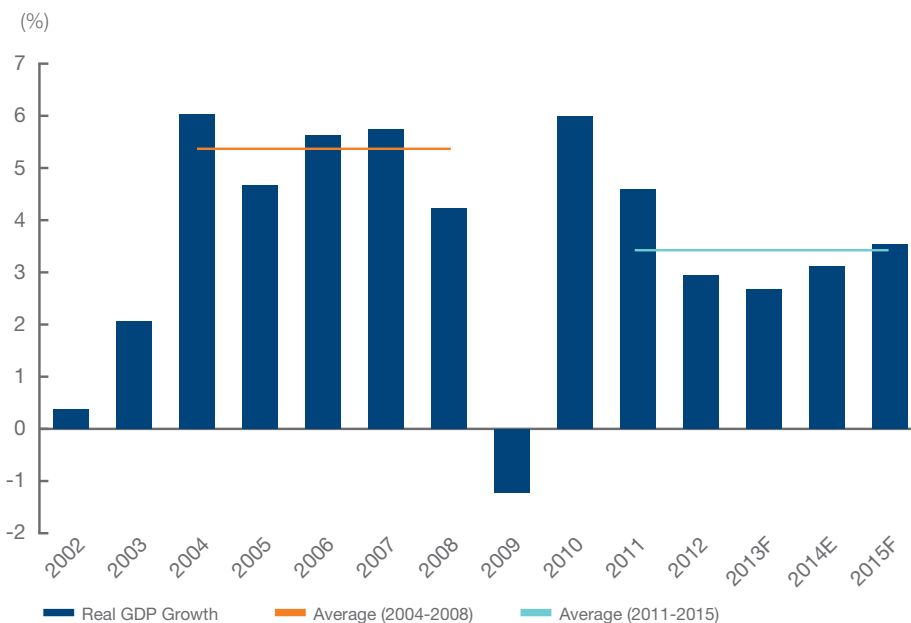


Source: World Bank, based on most recent data available

Latin America

Growth confidence and politics are likely to underpin absolute and relative performance of Latin American equity markets in 2014. Weaker terms of trade have translated into deterioration in the regional current account balance, though the investment environment remains attractive given high levels of foreign direct investments (FDI) and low dependence on external debt. The development of Latin America's capital markets is a structural trend supported both by demographics and income growth, and we view the long-term risk-reward balance as favorable.

LATIN AMERICA — REAL GDP GROWTH TREND



Source: IMF, Forecast as of October 2013

Following a year of downward revisions to growth forecasts in 2013, we expect Latin America to post moderately higher output in 2014, closer to the region's non-inflationary potential of around 3.5% per annum. The trajectory of Brazil's economy will be impacted both by presidential elections and major sporting events, with Mexico expected to return to robust growth following a brief hiatus in 2013. The Andean region remains a high-growth opportunity, and the investment backdrop in Chile, Colombia and Peru should continue to be attractive. Political risk and high inflation keep us sidelined in both Argentina and Venezuela, however, the prospect of a change in leadership in Argentina in 2015 could signal a material improvement in the country's investment prospects.

Whereas, regional equity markets disappointed in 2013 due to weak earnings and currency depreciation, we forecast a gradual recovery in 2014 assuming a moderate improvement in growth, broad macro and political stability, and an orderly dialing down of liquidity provision within key developed markets.

Brazil

Brazilian equities are approximately 50% below their 2008 highs in dollar terms as we close in 2013. This deep underperformance versus the global asset class since mid-2008 reflects high index exposure to the commodity sectors, increasing micro-management of the economy by the government, a lack of productivity gains, and the perennial impediments to higher growth rates (low levels of savings and investment). The lack of structural reform delivered during the commodities boom is now a hindrance to the country's next phase of development. Should reform be delivered in this or the next political cycle, Brazil offers significant upside.

2014 offers potential triggers for Brazil, most significantly the October elections, when voters are likely to face a choice between incumbent President Rousseff, her socialist party's traditional center-right opponent (PSDB), and a newly formed coalition between the centrist candidates Eduardo Campos and Marina Silva. The formation of a credible and more united opposition is welcome though Rousseff retains her leadership in the polls. The threat of further social unrest following large-scale protests in 2013 is likely to cause the government to take a populist stance going into mid-year, when Brazil hosts the World Cup, which is likely to have a relevant impact on specific subsectors of the economy. As other emerging and developed economies have shown, the legacy impact of such events and the associated investment is, in many ways, more important than the competition itself.

BRAZIL — MSCI BRAZIL AND REUTERS/JEFFERIES CRB COMMODITY INDEX AT APPROXIMATELY 50% BELOW PEAK



Source: Bloomberg, as of December 9, 2013

Loose fiscal policy and weak growth has increased the chances that Brazil's sovereign ratings could see a downgrade mid-year. While this is widely understood by investors, a possible forced recapitalization of the state banks (Caixa Economica Federal and BNDES) by the government poses a potentially greater risk to broader market confidence. Private sector banks by contrast show strong capitalization ratios and have demonstrated significantly greater lending discipline over the past 24 months and so we see little systemic risk.

We favor selected consumer, industrials and financials names within Brazil, and identify pockets of value following weak market performance in 2013. The development of the middle class will

remain a key theme within Brazil, favoring sectors including financial services, education and retail, though high debt service levels and creeping inflation are eroding gains in disposable income. We have a cautious view on the currency and therefore seek exposure to the exporters via the food producers, mining, steel, packaging and aerospace subsectors.

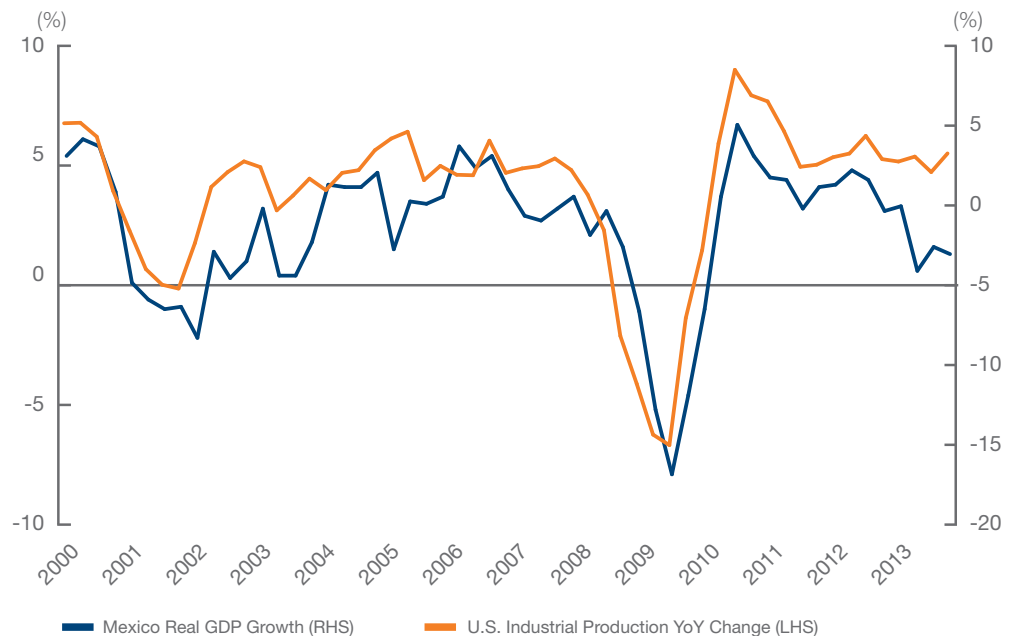
We believe that Mexican equities deserve their valuation premium to the region based on higher earnings visibility, lower cost of capital, and more stable returns.

Mexico

We expect Mexico to deliver the biggest improvement in growth rates from 2013 to 2014, as this year's weakness reverts, and the positive impacts of anticipated fiscal, labor and energy reform begin to feed through to the real economy. The scale and breadth of reform that the Institutional Revolutionary Party (PRI)-led government is able to pass in the coming months, most importantly in the energy sector, could potentially add significant upside to the Mexican investment case.

Within the Mexican equity market we see attractive upside in the banking, commercial real estate and industrial sectors. We still caution against an overly optimistic stance on the telecom sector, and in consumer we take a selective stance, as taxation and changing government health policy are likely to be headwinds for the soft drinks and snack food markets. That said, we believe that Mexican equities deserve their valuation premium to the region based on higher earnings visibility, lower cost of capital, and more stable returns. Mexico's high leverage to the recovering U.S. economy and the relatively cheap Peso are two further attractive conditions going into 2014.

U.S. VERSUS MEXICO



Source: Bloomberg, as of November 30, 2013

The Andean Trio

Chile, Colombia and Peru stand out as attractive within the global emerging markets complex due to high growth (4-6%), stable economic policy and structural growth opportunities within the domestic sectors. Economic exposure to the commodity complex, most significantly energy and copper, is relatively high. However, we do not forecast an abrupt shock to either, despite the potential of a stronger dollar. As in Mexico, and to a lesser extent in Brazil, we view the Andean region's banks as an attractive investment opportunity, given high growth, comfortable capital levels, and strong franchise value.

As anticipated, Chilean voters have returned Michelle Bachelet to the presidency, and we are now likely to see significant changes in the country's corporate and income tax levels, though Chile is likely to remain a fundamentally attractive investment case. The underperformance of Chilean equities over the course of the past 24 months has largely

priced in the likelihood of higher government tax take, and we see low risk of a further de-rating, assuming that Ms. Bachelet's economic policy is otherwise broadly similar to that implemented during her first term of office (2006-10).

Colombian elections will occur in the first half of 2014 and though we see low risk of a radical shift in direction, potential changes to energy pricing policy may be a headwind for the sector, a major component of the index. We favor financial and material sectors, with the consumer sector fairly valued.

Peru is arguably the most attractive growth opportunity within the region. However, liquidity is mixed and, as a result, we favor exposure via banks and infrastructure. With no expected change in the political landscape until 2016, we forecast a benign investment environment, with the mining sector a major recipient of FDI and a key component of overall growth.

Economic exposure to the commodity complex (most significantly energy and copper) is relatively high, though we do not forecast an abrupt shock to either, despite the potential headwind of a stronger dollar.

José Gerardo Morales, CFA

Chief Investment Officer

Mirae Asset Global Investments (USA)

Young Hwan Kim

Deputy Chief Investment Officer

Mirae Asset Global Investments (USA)

Rahul Chadha

Co-Chief Investment Officer

Mirae Asset Global Investments (Hong Kong)

Byung Ha Kim

Co-Chief Investment Officer

Mirae Asset Global Investments (Hong Kong)

DEFINITIONS

Association of Southeast Asia Nations (ASEAN) is the organization of countries in Southeast Asia set up to promote cultural, economic and political development in the region.

Foreign Direct Investment (FDI) is an investment made by a company or entity based in one country, into a company or entity based in another country.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Price to Book Value (P/BV) is a valuation ratio and is arrived by dividing the market price of a share with the respective company's book value per share.

Quantitative Easing (QE) is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market.

Return on Equity (ROE) is the amount of net income returned as a percentage of shareholders equity.

Risk: There can be no guarantee that any strategy (risk management or otherwise) will be successful. All investing involves risk, including potential loss of principal.

Emerging Markets Risk — The risks of foreign investments are typically greater in less developed countries, which are sometimes referred to as emerging markets. For example, political and economic structures in these countries may be changing rapidly, which can cause instability and greater risk of loss. These countries are also more likely to experience higher levels of inflation, deflation or currency devaluation, which could hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative. Similarly, investors are also subject to foreign securities risks including, but not limited to, the fact that foreign investments may be subject to different and in some circumstances less stringent regulatory and disclosure standards than U.S. investments.

Past performance does not guarantee future results. The performance data quoted represent past performance and current returns may be lower or higher. You cannot invest directly into an index.

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