

CSS STRATEGISE: “EMERGING MARKETS” FACTSHEET



COLLINS SARRI STATHAM
INVESTMENTS

EMERGING MARKETS STRATEGY

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**EMERGING
MARKETS
OBJECTIVE:**
To select
investments in high
growth emerging
markets.
Please refer to the
CSS Strategise
Brochure for further
details.

Key Risk Factors

1. Capital conditions in emerging markets are variable and often dependent on capital flows. Some countries have foreign exchange controls.

2. Emerging markets returns are often sensitive to the perception of that country by overseas investors.

3. Corporate governance and investor protection in emerging markets are variable and not applied consistently.

4. Please note that these figures are based on gross performance and do not include commissions, compliance charges or other costs. Please contact us for further information on our fees and charges.

5. The figures and performance chart refer to simulated past performance which is not a reliable indicator of future performance.

CSS Strategise “Emerging Markets” strategy

The emerging markets strategy comprises investments in overseas high growth markets typically those experiencing GDP growth above 5%. The strategy will select “country” specific funds with a distribution of approximately 40% “BRIC” (Brazil, Russia, India, China), 20% South East Asia, 20% “N11” (“the next 11 countries” which include Vietnam, Egypt, Iran, Turkey, South Korea and Indonesia) and 20% Emerging Europe mainly the 2004 EU accession countries.

Emerging Markets statistics simulation

Using a hypothetical simulation, the Strategise Emerging Markets recommendations (modelled on a £130k portfolio with 13 equally weighted recommendations) was monitored from 31st October 2008 to 31st October 2011. The investment performance of the selected Emerging Markets recommendations delivered a return of 61.79% from October 31st 2008 to October 31st 2011 against a benchmark for the MSCI World Index of 40.691%. The simulated performance takes into account dividend and capital distributions which adjust respective shareholdings when they occur. In reality the strategy allows holders the choice to take cash or shares in respect of dividends.



	Portfolio	Benchmark
Return (GBP)	61.792	40.691
Annualised Monthly Return	17.396	12.053
Annualised Volatility	25.657	17.890
Relative Return (GBP)	21.101	0.000
Monthly Return	1.345	0.953
Highest Monthly Return	17.904	10.594
Lowest Monthly Return	-12.559	-8.794
Maximum Loss	29.570	16.781
% Positive Monthly Returns	47.222	58.333
Correlation	0.839	---
Alpha	0.307	---
Beta	1.203	---
R-Squared	0.704	---
Sharpe Ratio	0.636	0.613
Treynor Ratio	13.560	10.971
Information ratio	0.370	---

Source(s): Statpro plc

Conclusion

Our simulation of the “Emerging Markets” strategy identifies the following characteristics:-

- * Portfolio Beta of 1.203x i.e. above the level of normal market risk.
- * A 61.792% return with a value at risk of 1.987%.
- * A Sharpe ratio (risk adjusted measurement of return) of 0.636.
- * Monthly return in a range of 17.904% to -12.559%.
- * Our expectation is Emerging Markets strategy would beat cash deposit rates over an extended period.

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Please note that ETFs are highly complex financial instruments that carry significant risks. They are only suitable for investors who understand their strategy, characteristics and risks. If in doubt about the suitability of ETFs you should contact your broker for advice and further information. You should discuss the product with your broker and read the ETF prospectus and make sure that you fully understand the ETF before you decide to invest.

Please also note that investing in emerging markets carry higher levels of risk due to the nature of these investments. These investments tend to be more volatile than investments in established markets. The exchange rate may cause the value of these investments to go down as well as up.

Definitions:

Correlation: A statistical measure that measures how investments move in relation to each other. For example if the correlation was 0 the two investments would move independently of each other. Typically correlation measurements are between -1 (opposite direction) to 1 (moves in lock step with each other).

Alpha: broadly the degree of outperformance from a given benchmark. For example if the investment rises 10% and the benchmark return is 5% it would have an alpha of 5%.

Beta: broadly the sensitivity of the investment to the movement in the market i.e. if the investment had a ratio of 1 it would move the same as the market. Beta measures covariance of the returns of the asset in respect of the portfolio to the variance of the portfolio.

R-Squared: the percentage of the asset's movement attributable to the movement of the market.

Sharpe ratio: excess return per unit of risk i.e. Expected returns ("R") less the risk free (Rf) rate divided by the standard deviation of returns (σ).

Treynor ratio: returns in excess of risk free return ($R_i - R_f$) divided by market risk (B_i); i.e. risk adjusted returns per unit of market risk.

Information ratio: measures the risk adjusted return divided by the standard deviation of returns