Goldman Sachs Asset Management

Outlook

March 2021

Emerging Markets Equity

Viewpoints

In our first edition of 2021, we discuss the outlook for Emerging Markets (EM) equities this year and highlight the themes that we believe are most relevant to investors. Alongside this broader outlook we have also included a summary of key developments last year, as well as country level summaries, focusing on key trends and the respective investment implications. As always, we have included performance and valuation metrics in the appendix.

Market Review[1]

To say that 2020 was a tumultuous year for EM equities would be an understatement. Nevertheless, the MSCI Emerging Markets (EM) Index ended the year with an ~18% gain (total returns, in USD), outpacing developed markets which returned ~16%. 2021 has started off strongly as well and despite a wobble at the end of February, emerging markets have returned ~4% year-to-date, again exceeding developed market equities.

In 1Q, EM equities fell dramatically as global markets were overtaken by the fear of a global recession as a fall-out of the COVID-19 outbreak. The extent of the spread caused global markets to reprice to reflect lower expectations for global growth and corporate earnings. Countries around the world implemented lockdowns to try and flatten the curve of new infections, with largely all but essential businesses being forced to close. Equities also faced adverse effects from the failure of OPEC+ to agree on production cuts, with Saudi Arabia's announcement that it would ramp up production causing global oil prices to drop ~25% in a single day.

In 2Q and 3Q, EM equities rebounded significantly as business activity started to recover and investor optimism grew around the potential discovery of a viable vaccine. Large Ems like China, Korea and Taiwan were at the forefront of the recovery, as economic activity returned to normal levels. In India, the government started to lift its strict lockdown measures in an attempt to get the economy back on its feet, but recovery appeared further out. Latin America continued to trail other regions, with Brazil being one of the weaker performers as it struggled to contain the outbreak. In contrast to EM's healthy rebound, some DM countries had to reverse the opening of their economies in the wake of a second wave of COVID-19 cases. Towards the end of the quarter, the asset class saw a slight pull-back following an uptick in cases and increased uncertainty around the US election.

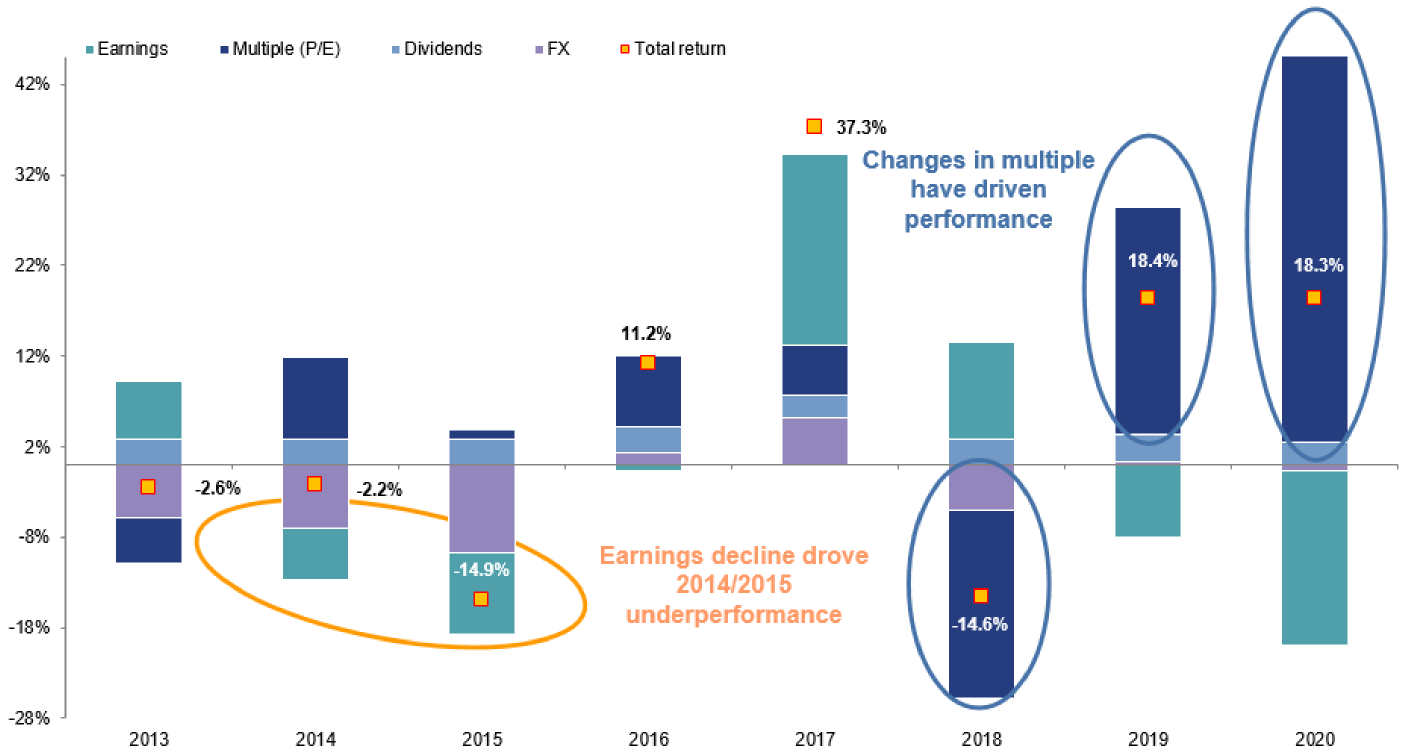
In 4Q, EM equities saw a significant increase following the US election and positive vaccine news flow. These developments contributed to increased investor optimism, driving strong flows in EM equity funds towards the end of the year. Korea and Brazil were some of the top performing countries. Brazil showed early signs of a potential recovery as the consumption of fuel reached higher than pre-pandemic levels. India posted solid absolute returns as well, as the government launched a massive vaccination drive at the end of the year.

China closed the year out as one of the top performers next to Korea and Taiwan; however, the country has shown some weaker performance at the end of 2020, as tensions with the US flared up after the White House moved ahead with plans to delist some Chinese stocks from the NYSE. The best performing sectors over the year were Information Technology, Health Care and Consumer Discretionary, while the worst performing sectors were Real Estate, Energy and Financials.

[1] As of Feb-21. Source: GSAM, Factset. Returns shown are for respective MSCI indices, net total returns, in USD.

On decomposing EM returns, it's clear that performance has been driven by multiple movements as opposed to fundamental drivers in recent years. This can be observed below – 2018's challenging performance was overwhelmingly a function of weak investor sentiment owing to trade-related concerns, even as fundamentals delivered positive double-digit returns and partly offset the impact of sentiment. On the other hand, 2019 saw muted earnings growth, whereas sentiment rebounded strongly as investors realized that some of these concerns might be overdone. While the headline return number for 2020 was also in the high teens like 2019, the magnitude of both the earnings decline and the multiple expansion was much higher. Ravaged by the pandemic, 2020 was an exceptional year by any standard, witnessing both the sharpest recession and, in a lot of EM, the strongest recovery on record. Going in to 2021, we argue that much of the heavy lifting would need to be done by EPS growth. Indeed, consensus expectations point to a sharp earnings rebound a la 2017, perhaps even bigger in magnitude. We discuss below the factors influencing our optimism for the asset class as well as potential risks on the horizon.

MSCI EM return decomposition[1]



2021 EM Outlook

As we look into 2021, we remain constructive in our perspective, and see opportunities across the asset class. We highlight three key catalysts – 1) pandemic response; 2) synchronized growth; and 3) export linkages.

Firstly, the response to and hence the impact of the COVID-19 outbreak has been extremely differentiated across the world. Perhaps predictably, countries that imposed stringent lockdowns, tested and tracked its citizens and thoughtfully reopened their economies with caution have rebounded sooner than the rest. In this context, China, Taiwan and Korea (accounting for >65% of MSCI EM) have proven world-beaters, with their economies is approaching normal levels of activity as early as in 2Q. In fact, China and Taiwan were among the very few countries to deliver positive real GDP growth in 2020 and we believe the range of outcomes will be narrower for them in 2021. On the other hand, for the more affected countries like most of Latin America, India and Russia, we believe there could be further upside from vaccine rollout, but would also caution against new waves.

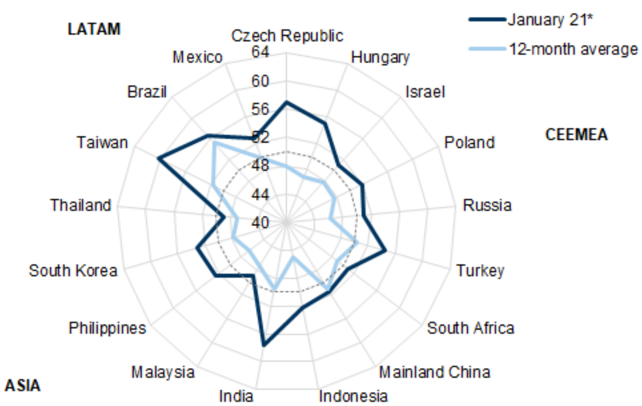
Secondly, we anticipate a synchronized GDP growth rebound in 2021. All 27 EM countries are expected to deliver positive real GDP growth for the first time since the global financial crisis. While developed market governments have put out significant fiscal stimulus by way of unemployment benefits or furlough schemes, it's worth noting that EM governments have by and large been more restrained. Inflation has been benign due to a combination of demand destruction and lack of avenues for consumer spending, whereas the drop in imports helped strengthen current account balances in some countries. Hence, we believe there is still some room for monetary and fiscal policy to remain supportive in most emerging markets throughout 2021.

[1] Source: Factset, Datastream, as of Dec-20.

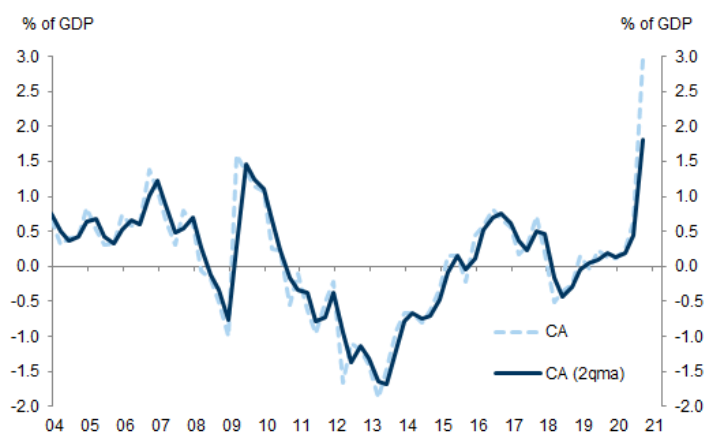
Thirdly, as business activity in the developed world finally recovers this year, emerging markets' export linkages should be an added catalyst. While this would've primarily been driven by EM's commodity-heavy nature in prior cycles, this is less impactful now that these sectors only account for ~15% of the MSCI EM Index. There will no doubt be a second derivative impact through consumer and financial companies in commodity exporting regions like LatAm, Middle East and Russia. Instead, we are most likely to see this play out through the semiconductor cycle. We are witnessing a surge in demand due to remote working arrangements, alongside well-entrenched long term trends of 5G infrastructure, data centers, automation and artificial intelligence. This provides for a supportive environment for earnings growth to recover from the anaemic levels observed for the last two years.

As it relates to valuations, we recognize that one-year forward multiples have moved up considerably, but we would highlight three points. First, considering the prevailing ultra-low interest rate environment is likely to persist for the foreseeable future, we believe it is not unreasonable for high growth assets to trade at a premium to their history. Second, the EM universe today is more domestically orientated with lower reliance on commodities in particular, than in previous cycles. In their place, higher quality/growth consumer and technology companies now account for over 50% of MSCI EM weight, up from 30% in 2008. Hence, we would argue that the historical average is biased down and that current valuations appear attractive on a sector adjusted basis. Third, the collapse in 2020 earnings and resultant low base effect will likely drive above-trend earnings growth in 2021 and 2022, which are not entirely be captured by a one-year forward multiple. Relative valuations are compelling as EM's ~30%+ earnings growth over the course of 2021 outpaces their developed markets (DM) counterparts[1]. Given corporate fundamentals typically explain ~85% of EM equity performance over any 10-year period, we believe this to be an interesting entry-point into the asset class. Indeed, emerging markets equities have seen record inflows since November as investors continue to close their underweight positions. For those wondering if they have missed the bus, we would point out that if investors were to revert to even historical average allocations, the bulk of the inflows should be in front of us.

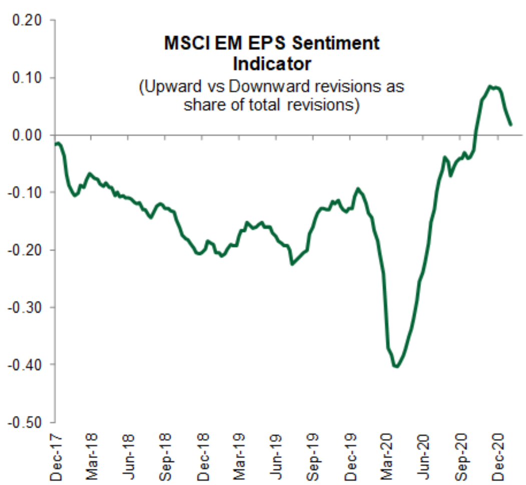
Manufacturing PMI

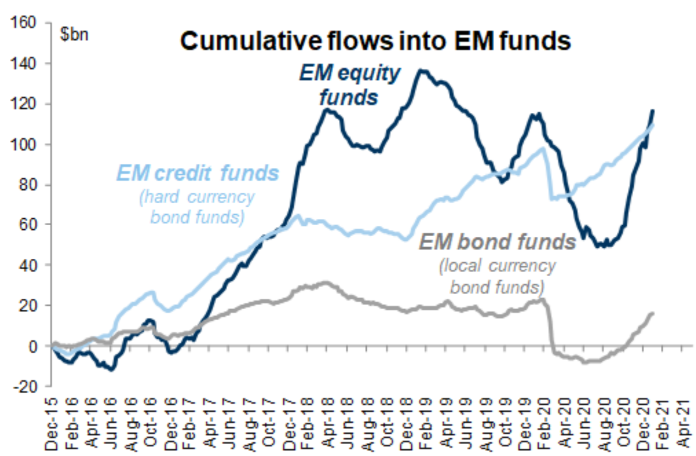


EM average current account balance



Source: Markit, Haver Analytics, Goldman Sachs Global Investment Research. *For Mexico IMEF Business Climate Index and for Israel global PMI are shown. Dec-20 for ILS

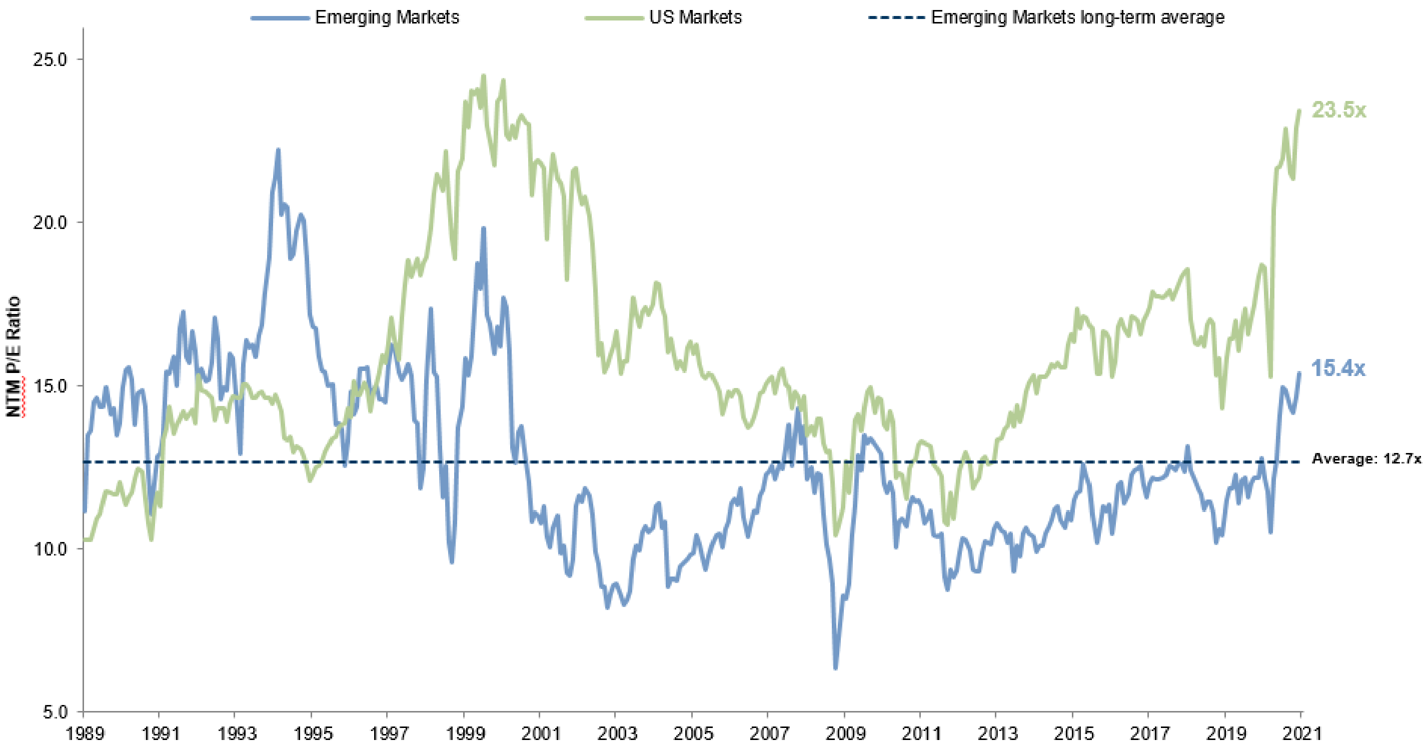




Source: Factset, I/B/E/S, Goldman Sachs Global Investment Research
Source: EPFR, Goldman Sachs Global Investment Research

[1] Source: Datastream, as of Dec-20. **Past performance does not guarantee future results, which may vary.**

EM valuations suggest an attractive entry point[1]



It is also imperative that we acknowledge the various risk factors that could impact returns for the asset class. Firstly, as it pertains to the pandemic, lockdowns due to potential new waves, as well as the inability to effectively manage vaccine rollout due to poor infrastructure are both legitimate concerns. Second, much like DM, several EMs have provided unprecedented fiscal and monetary policy support, which allows for limited headroom for further stimulus and exposes them to medium-term vulnerabilities if the recovery doesn't pan out as hoped. Finally, China, which now accounts for over 40% of MSCI EM (and rising), will be the dominant driver of the asset class. In this regard, potential tightening of stimulus later in the year, another flare-up in US-China relations as well as tighter regulation of technology titans could all catch investors off-guard. While we recognize these risks, we believe they are well understood and largely priced in, supporting our extremely constructive stance on EM equities for the rest of 2021.

As bottom-up investors we always stay true to our investment philosophy and avoid trying to time markets or seeking exposure to binary geopolitical outcomes. While we have framed the discussion for this piece around the prospects for the asset class in general, from an investment standpoint we continue to focus on finding sound businesses that we believe are trading at meaningful discounts. We remain cognisant of these externalities, but believe by being selective and discriminatory at the company level, there are compounding opportunities to be found across the EM landscape. By remaining disciplined in our approach, we have been able to capitalize on market sell-offs and rebounds to deliver sizeable and consistent alpha over the investment cycle by investing in great businesses at attractive levels[2].

[1] Source: Datastream, as of Dec-20. There is no guarantee that these objectives will be met. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.
[2] Source: GSAM, as of Dec-20.

Country Outlooks[1]

China:

In 2020, China remained a bright spot for global growth and one of the most resilient economies in the world, having benefited from a decisive initial lockdown, near record stimulus and fiscal expansion to enable a quick and broad-based recovery leading to the country's "First in, first out" effect. This translated to stronger earnings growth and equity returns, as such, China was one of the only economies to deliver positive economic growth for the year, and this was reflected in strong market performance with onshore and offshore equities returning ~41% and 29% respectively in 2020, while consensus earnings growth remained positive at 5% and 1%, in contrast to -16% for developed markets and -10% for broader emerging market equities.

In 2021, while the pace of China's growth has been slowing in recent years, we expect a cyclical rebound led by strength in exports, a pickup in manufacturing investment and a continued recovery in consumption. Market expectations for 2021 real GDP growth are at over 8% compared to around 2% in 2020 mainly due to a low base effect. In our view, this should provide a conducive backdrop for corporate earnings growth and equity returns. Furthermore, continuing on its structural transition towards becoming an advanced industrialized economy, we expect consumption and innovation to become even larger contributors. Indeed, recent policymaking has placed more emphasis on growth quality (as opposed to growth targets), while normalizing policy support measures with a focus on risk management and reforms. This should help improve the quality, efficiency and long-term sustainability of growth going forward.

At the same time, as monetary conditions normalize in lieu of financial stability, we expect continued progress in structural reforms and capital markets. Recent examples include the removal of the QFII regime, establishment of the stock/bond connect schemes and launch of the STAR market and registration-based IPO system as well as the pushing through of key state owned enterprise (SOE) reforms. Finally, environmental sustainability has become a bigger priority for China, and is reflected in some of the policies adopted in recent years. President Xi Jinping announced that China plans to achieve carbon neutrality by 2060 and the government has already set various targets in its latest five-year plan, while also enacting environmental protection regulation. These include a goal to see peak carbon emissions by 2030 with an immediate reduction in coal consumption, and targets on EV adoption, air/water quality among others. We expect other structural changes to accelerate, such as diversifying away from fossil fuels by investing in alternative energy sources, re-thinking city planning and resource usage, and implementing carbon regulation and pricing policies.

Investment Implications:

- While onshore and offshore earnings are expected to rebound in 2021 by 17% and 23% respectively, 1-year forward P/E is at ~17x and 16x respectively. This is near the higher end of the historical range for offshore and slightly above the long-term average for onshore, and we believe it is justified given the addition of high growth companies in the universe.
- Investors remain under-allocated to the asset class relative to its importance to the global economy and future growth potential. The continued inclusion of A-shares into global equity indices could see their share of the MSCI EM Index eventually increase to 27%. As foreign investors continue increasing their China allocations in accordance with benchmarks, this could lead to substantial inflows to the asset class over time.
- In our view, 2020 further strengthened the "Three C's", key investment themes we have identified through a bottom-up lens:
  - Consolidation of "old economy" sectors
  - Collaboration between online and offline economies
  - Corporate innovation driving a technological "catch-up"
- We remain constructive on Chinese companies that are benefitting from the growing domestic demand base, including businesses catering to needs of Chinese consumers, rising banking and wealth management needs, and the insurance and healthcare demands of an aging population. We also like "New China" companies, many of which with exposure to secular growth themes such as millennials-linked consumption, mobile payments, industrial automation and new energy to name a few.

South Korea:

Korea, along with other North Asian economies, drove emerging markets performance in 2020, with the MSCI Korea Index returning 45%. Coronavirus infection rates have also been kept much lower and economic activity has remained relatively resilient. Going forward, we expect a sharp recovery in overall economic activity, especially in the underutilized services sector, buoyed by the improving coronavirus situation, broad policy support and easing trade tensions. We believe external demand would be the biggest growth driver, with semiconductor makers, who tend to dominate the memory segment, continuing to benefit from work from home trends, though it is unlikely to have any meaningful spill-over in to domestic activity. Structurally strong global demand for advanced technology such as 5G, artificial intelligence, and "Internet of things" could provide additional demand support for technology products. While we are encouraged by the increasing focus from corporates on improving governance and shareholder returns, we remain somewhat sceptical around how broad-based the improvement in minority shareholder recognition will be, especially in chaebol structures, and continue to watch any developments closely.

Investment implications:

- We are finding a few interesting ideas in the IT sector, in particular companies with robust business models, operating within the semiconductors, gaming and internet advertising segments.
- Considering Korea boasts one of the highest per capita incomes across the EM universe, we like businesses that can benefit from rising consumer spending.

[1] Source: GSAM, as of 26-Feb-21. **Past performance does not guarantee future results, which may vary.**

- As global demand recovers sharply in 2021, we also favour export oriented franchises with significant pricing power in the Consumer Discretionary sector, ranging from consumer electronics to auto ancillaries to sports apparel.

Taiwan:

Over the course of 2020, Taiwanese equities returned ~42%, outperforming broader EM by ~20%, for the second year in a row. Taiwanese exporters have been big beneficiaries of companies gradually diversifying supply chains away from mainland China. We believe the main drivers of economic growth should come from a turnaround in global growth and buoyant semiconductor demand. Taiwanese companies are market leaders in the IC segment, which is thriving on expectations that work from home arrangements are likely to persist in some form long after the pandemic is in the rear-view mirror. Overall, after last year's exceptional performance and the absence of clear domestic catalysts, we are somewhat more cautious and believe selectivity is key, given higher valuations compared to other parts of EM.

Investment implications:

- We are finding the most attractive opportunities in the technology space, especially among companies that benefit from increased work from home arrangements and continued component upgrades, in particular in the areas of camera and semiconductor manufacture.
- In the consumer space, we also find select opportunities benefiting from changes in consumer habits in the ecommerce and online gaming segment.

India:

Indian equities saw the swiftest post-bear-market recovery across the EM complex. The MSCI India index ended the year up over 16%, largely in line with the broader EM index and outperforming EM ex North Asia. The number of active cases has fallen by 90% from its September peak, the recovery rate remains high, fatality rate is lower than global average, and news flow around vaccine progress has been positive, all boost investor confidence. After imposing a harsh lockdown in 2Q20, economic revival has been the government's top priority, with business activity in most segments back to pre-COVID levels.

The government used COVID as an opportunity to push through factor market reforms that would improve India's structural competitiveness in years to come. Rationalization of labour laws, deregulation of agricultural commodity markets, attracting investments in manufacturing and unambiguous approach towards privatization were some of the key initiatives that followed 2019's corporate tax rate cuts. Going forward, we expect India's economic and corporate earnings recovery to continue, with the country becoming the next engine for global growth in this decade. Based on its near-term underperformance relative to the broader EM as well as its own long-term average, valuations remain reasonable and support the meaningful outperformance of Indian equities.

Investment implications:

- The reforms-related slowdown and the pandemic has promoted market consolidation where companies with strong fundamentals are gaining market share.
- We continue to like beneficiaries of government's boost to local manufacturing and focus on infrastructure, within materials, industrials and consumer space. We are also positive on select Financials, with both retail and corporate lenders benefiting from a pick-up in growth.
- The increased digitalization and internet adoption is benefitting new-age companies operating in the fields of technology, communication services and online services.
- Following significant underperformance versus larger cap stocks in recent years, we are finding value in a wide number of opportunities in the highly inefficient SMID-cap space.

Brazil:

After two strong years, Brazil significantly underperformed broader EM in 2020, returning -19%, as the country was hit hard by the pandemic. At 200k, Brazil has the second highest death toll in the world. The administration's early handling of the pandemic was viewed as being too weak, characterized by its failure to enact strong public health rules to prevent its spread. The government was then forced to spend heavily on economic packages to keep businesses afloat, and will need to maintain this stimulus well into 2021. Similar to many other countries in the region, Brazil's 2021 economic recovery will depend on their ability to contain the pandemic and vaccine distribution. Should they succeed, savings rates are at the highest level since 2013, which could lead to a strong consumption-led recovery on pent-up demand. Comprehensive tax reform, reduction in twin deficits and debt burdens remain medium-term priorities, freeing up capital to support spending in the areas driving growth and job creation.

Investment implications:

- We are finding attractive investment ideas that can benefit from structural themes like ageing and demographic change among health care and insurance providers. In particular, we favour companies which boast of extremely strong brand presence and operate in underpenetrated market segments.
- We continue to like stock exchanges, a business model we have historically found attractive due to: i) their monopoly-like structure, ii) their asset-light business model; and iii) their cash generative nature.
- We also find some interesting consumer-facing companies benefiting from a recovery in consumer spending, as well as some high quality technology names with innovative product offerings.

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South Africa:

South Africa underperformed Global EM for the fourth straight year, returning -4%. The pandemic has been particularly challenging for the nation which was impacted by the severe lockdown at the start of the year and the emergence of a more resilient local variant of the virus at the end of the year. While President Ramaphosa enjoys broad-based support, investors are still waiting for ambitious reforms to come to fruition and sovereign rating downgrades have hurt. Finally, we keep a keen eye on the state's increasing influence in key industries, in particular mining, given it often calls to question overall governance standards and sustainability of returns for us as minority shareholders.

Investment implications:

- The established nature of South Africa's capital market and asset management industry means it tends to be more efficient than other parts of EM, making it somewhat harder to find exciting opportunities with significant re-rating potential.
- The operating environment is challenging from a structural and cyclical perspective, but valuations are supportive due to excessive pessimism on the part of foreign investors.
- We are finding attractive ideas within select consumer and financial services, in companies looking at specialized segments of the market, offering a differentiated proposition and being able to fend off competition.

Russia:

Russia returned -12% in 2020 and lagged EM by 30%, due to a double whammy of lockdown restrictions and the oil price crash. Despite a contraction in overall GDP, economic activity did pick-up in the second half of the year mostly driven by higher household consumption. Looking to 2021, we expect a recovery in commodity prices to further boost economic activity and government spending. As always, selectivity remains crucial in Russia and we must continue to monitor the implications of the current and any potential future sanctions.

Investment implications:

- Heavy state influence and weaker overall governance continue to be a challenge. That being said, we have seen signs of improvement in governance in some industries, particularly true in areas of the financial sector that are exposed to the consumer and high-quality energy businesses.
- We are also finding select ideas in innovative online businesses with sound business models and industry leading market positions.

Mexico:

Mexico lagged broader EM in 2020, returning -2% (total returns, USD), as the country and its economy were hit hard by the Covid-19 pandemic. While Mexico's GDP contracted for the year, manufacturing data showed signs of recovery in Q3 and Q4. We do not expect significant fiscal stimulus in 2021, but it remains one of the few countries with further room for monetary policy easing. Investors are trying to grapple with the implications of what President Andres Manuel Lopez Obrador (AMLO) has called the *Fourth Transformation* of the Mexican state, as his administration looks to boost social spending, reduce the incidence of market-driven policy and return the state to a more central role in the economy. Mexico could stand to benefit from improving economic conditions in the US as potential increases in infrastructure spending would help Mexico's export-orientation. Over the medium-term, Mexico's success will depend on its policymakers' ability to enact much needed structural reform aimed at improving productivity.

Investment Implications:

- While valuations appear reasonable relative to history, the country is still trading at a significant premium to the index. Hence, we struggle to find many businesses that appear attractive on a risk-adjusted basis relative to EM peers.
- We remain cautious and gain exposure through consumer and financial services businesses that cater to specialized segments of the market and benefit from high barriers to entry.

Saudi Arabia

Saudi Arabia was flat for the year, underperforming the broader EM complex. The Financials and Energy exposure weighed on returns, whereas materials, communication services, and staples contributed to returns. A continued normalization in crude prices thanks to a recovery in global demand will be a catalyst, even as eyes will be on the new US administration's policy in the region. Investors will also be eagerly watching the progress on social and economic reforms, the latter aimed at reducing the nation's reliance on oil.

Investment implications:

- Heavy state influence, weaker overall governance and stretched valuations following MSCI's inclusion in to the index continue to be challenges. That being said, we are finding select opportunities among industry leaders, specifically within the retail banking sector.

Indonesia:

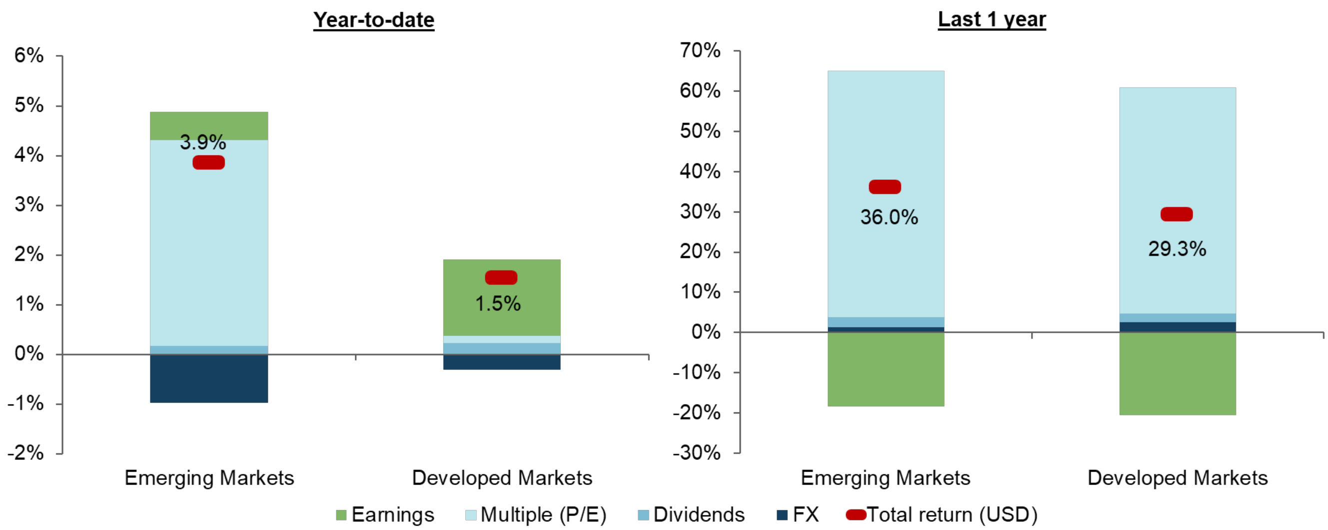
Indonesian equities ended 2020 down 8% – one of the few Asian markets to post negative returns for the year. Indonesia had one of the least stringent initial lockdowns, a smaller growth contraction and a proactive fiscal response. However, still-high domestic transmission, likely slower vaccine disbursement and less favourable base effects imply a likely slower rebound. At the same time, the passage of omnibus law – a comprehensive law that amends and simplifies 79 existing laws – should catalyze private sector investment and job creation by simplifying administration and bureaucracy, easing labour laws, and standardizing permit procedures to attract more private investment.

Investment implications:

- From a long term perspective, we like companies that are benefitting from Indonesia's demographic trends, most notably from: discretionary or lifestyle spending like sportswear; as well as consumer-lending and increasing financialization of savings.
- We are also positive on select opportunities in the materials space, benefitting from industry consolidation and improving capacity utilization.

Appendix

Decomposition of total return – emerging markets versus developed markets



Source: DataStream, MSCI, GSAM Calculations, as of 28-Feb-21. Shown for MSCI EM and MSCI World indices (net, USD).
Past performance does not guarantee future results, which may vary.

Performance – Emerging Markets country and sector breakdown

As of 28-Feb-21	February	YTD 2021	Trailing 1-Yr
EM	0.8%	3.9%	36.0%
DM	2.6%	1.5%	29.3%
USA	2.6%	1.6%	33.4%
Europe	2.4%	1.0%	20.3%
Japan	1.5%	0.5%	28.4%

EM Sectors	February	YTD 2021	Trailing 1-Yr
Real Estate	8.7%	5.0%	-0.9%
Materials	5.9%	5.3%	53.8%
Energy	3.7%	1.2%	7.3%
Financials	3.2%	0.5%	4.9%
Utilities	2.1%	-1.4%	7.2%
Information Technology	1.3%	6.8%	81.3%
Communication Services	1.2%	-1.0%	-5.1%
Industrials	0.3%	1.8%	21.0%
Consumer Discretionary	-3.0%	3.9%	52.4%
Consumer Staples	-3.4%	-4.8%	17.5%
Health Care	-4.3%	-3.6%	51.1%

EM Countries	February	YTD 2021	Trailing 1-Yr
Argentina	11.0%	-2.4%	23.2%
Chile	8.0%	8.0%	25.9%
Peru	7.3%	0.3%	16.1%
Greece	7.1%	-2.7%	-3.9%
India	5.2%	2.8%	29.1%
Saudi Arabia	5.2%	6.8%	21.6%
Taiwan	4.6%	11.4%	68.0%
Czech Republic	3.2%	5.2%	19.0%
South Africa	2.9%	5.7%	27.9%
Russia	2.5%	-0.3%	5.2%
Philippines	1.9%	-6.2%	4.6%
Thailand	1.8%	1.9%	12.1%
Colombia	1.8%	-12.5%	-16.7%
Indonesia	1.4%	-1.4%	6.0%
Mexico	0.4%	-3.9%	3.4%
Korea	0.2%	1.4%	67.2%
Malaysia	0.2%	-3.9%	10.7%
Hungary	-0.8%	3.5%	10.1%
China	-1.0%	6.3%	43.1%
Egypt	-1.5%	6.1%	-17.9%
Turkey	-2.4%	-5.5%	-0.2%
UAE	-2.5%	9.6%	13.9%
Poland	-2.6%	-4.1%	7.1%
Qatar	-2.9%	-1.8%	3.2%
Pakistan	-5.8%	-1.4%	-11.8%
Brazil	-6.3%	-13.7%	-13.1%

Source: DataStream, MSCI, as of 28-Feb-21. Shown for respective MSCI region, country and EM sector indices (net, USD).
Past performance does not guarantee future results, which may vary. *On the colour spectrum, green reflects higher return numbers, while red reflects lower return numbers.*

EM valuation breakdown

	Trailing Price to Earnings (x)	Forward Price to Earnings (x)	Price to Book (x)	Dividend Yield (%)	Implied 'Z-score'[i]	Implied '%-time cheaper'[ii]	Next 12m Earnings Growth (%)[iii]
EM	22.6	15.3	2.1	1.8	1.24	89%	32.6
DM	28.4	20.0	2.9	1.8	1.37	91%	23.7
US	31.8	22.2	4.3	1.5	1.56	94%	21.1
Europe	23.0	16.5	1.9	2.4	0.60	73%	29.8
Japan	23.7	17.6	1.5	2.0	0.66	75%	22.6
Argentina	--	--	1.8	0.3	--	--	--
Brazil	21.5	9.6	2.2	2.3	0.14	55%	135.7
Chile	23.5	17.7	1.5	3.1	0.47	68%	79.7
China	21.0	16.6	2.5	1.3	0.53	70%	17.4
Colombia	19.0	13.4	1.1	4.4	0.20	58%	132.7
Czech Republic	12.4	13.9	1.2	4.0	-0.44	33%	8.3
Egypt	8.5	7.4	1.9	3.5	-0.63	26%	18.4
Greece	13.4	12.0	2.9	3.8	0.45	68%	55.6
Hungary	15.2	10.3	1.3	0.2	-0.26	40%	20.9
India	37.5	21.7	3.3	0.9	1.14	87%	36.5
Indonesia	21.3	16.3	2.4	3.0	0.60	73%	27.7
Korea	24.9	13.6	1.4	1.6	1.70	96%	49.1
Malaysia	21.2	13.9	1.7	2.8	-0.04	49%	38.4
Mexico	24.0	14.6	2.1	2.1	-0.09	47%	60.7
Pakistan	5.7	5.9	0.8	4.5	-1.45	7%	-1.5
Peru	--	16.2	2.3	3.7	--	--	--
Philippines	19.6	17.3	1.8	1.6	-0.40	34%	45.8
Poland	21.4	12.6	1.2	0.4	0.06	52%	13.6
Qatar	16.0	13.0	1.9	3.3	-0.10	46%	17.9
Russia	16.0	8.0	1.0	5.4	0.90	82%	60.7
Saudi Arabia	28.7	19.2	2.2	3.3	1.31	90%	37.8
South Africa	20.6	10.8	2.1	1.8	-0.67	25%	35.7
Taiwan	23.5	18.6	2.9	2.4	1.28	90%	16.9
Thailand	24.7	18.8	1.9	2.5	0.96	83%	32.9
Turkey	9.8	6.1	1.0	1.1	-1.23	11%	48.5
UAE	13.4	11.7	1.2	4.0	0.15	56%	10.3

Source: MSCI, DataStream, FactSet, GSAM Calculations, as of 28-Feb-21.

[i] Implied 'Z-score' is the aggregate standardised score of Trailing Price to Earnings, Forward Price to Earnings, Price to Book and Dividend Yield. It represents the number of standard deviations away from historical average the current observation lies (greater than zero implies more expensive than historical average, less than zero implies less expensive than historical average). Calculated over the last 15 years, or longest available period if data availability is less than 15 years.

[ii] Implied '%-time cheaper' represents the left-tail area of the assumed normal distribution of historical observations. It is not, therefore, an empirical representation of '%-time cheaper', but an approximation of how often the market has been cheaper than it currently is assuming the data is normally distributed. Calculated over the last 15 years, or longest available period if data availability is less than 15 years.

[iii] Next 12 months expected percentage change in earnings.

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