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## Investment Day in Paris

*Is the classical approach of EM benchmarks still valid?*



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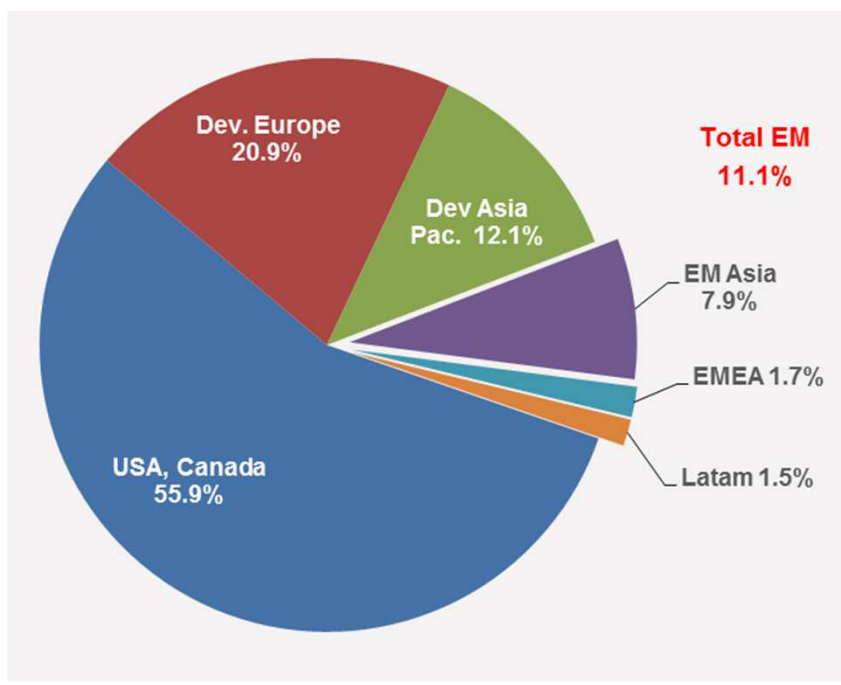
Paris, November 3 & 4, 2016

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## The economic importance of the EM is understated...

- Selected Emerging countries represent altogether only **11% of the MSCI World AC** but:
  - ✓ **37% of the global GDP 2015<sup>1</sup>**
  - ✓ **56% of the future global growth<sup>2</sup>**

MSCI World AC adjusted Market Value (as of Oct 11, 2016)



MSCI World AC breakdown and GDP footprint

	MSCI World AC adjusted Market value	GDP 2015 footprint by region	GDP 2015 footprint by region (PPP)
USA, Canada	55.9%	29.4%	20.2%
Dev. Europe	20.9%	24.1%	17.9%
Dev Asia Pacific (3)	12.1%	9.2%	7.2%
<b>Total DM</b>	<b>88.9%</b>	<b>62.7%</b>	<b>45.4%</b>
EM Asia	7.9%	25.5%	37.2%
EMEA	1.7%	6.3%	10.2%
Latam	1.5%	5.5%	7.1%
<b>Total EM</b>	<b>11.1%</b>	<b>37.3%</b>	<b>54.6%</b>
<b>Total MSCI World AC</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Factset, IMF, Amundi Research

(1) 55% on a PPP basis

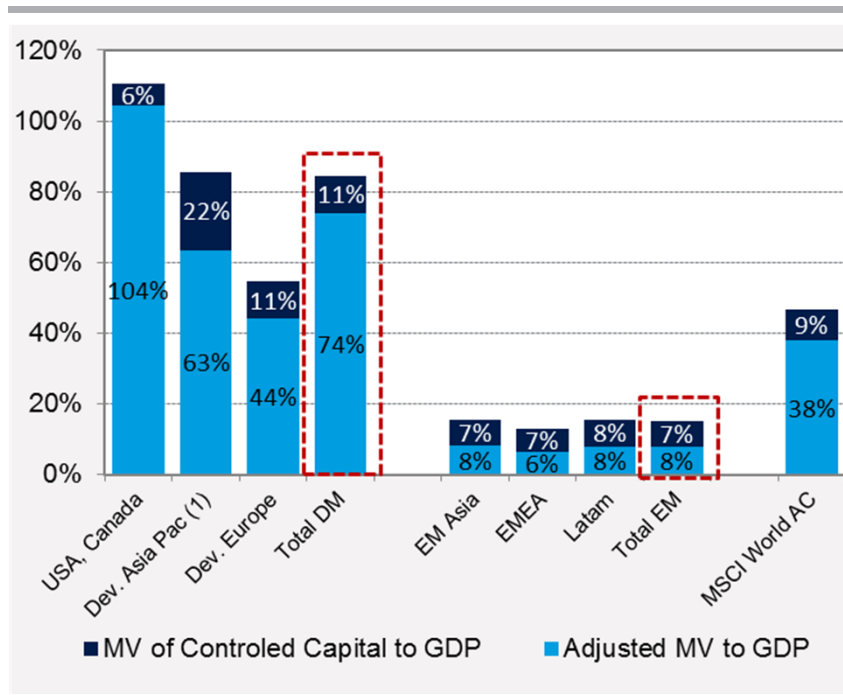
(2) Contribution to the global nominal GDP growth in USD from 2017 to 2020

(3) Developed Asia Pacific: Australia, Hong-Kong, Japan, New Zealand, Singapore

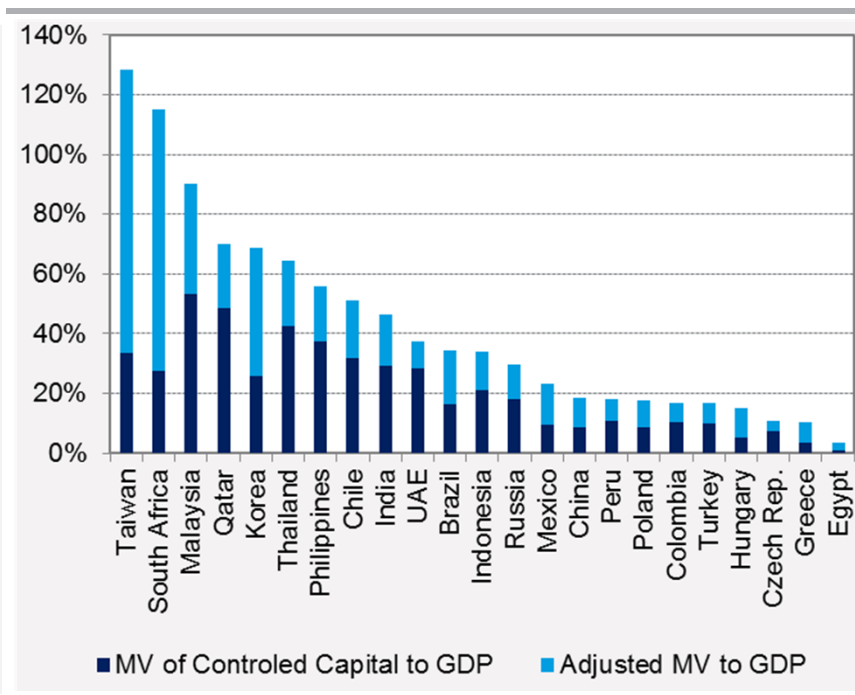
## This discrepancy reflects the limited size of the available market

- A lessen importance of listed companies, aggravated by a reduced free-float:
  - ✓ Average capitalization ratio to GDP: EM 15% vs. DM 85%
  - ✓ Average free-float: EM 51% vs. DM 88%
  - ✓ Average adjusted market value to GDP: EM 8% vs. DM 74%

Market Value to GDP 2015 by region (as of Oct 11, 2016)



Market Value to GDP 2015 of EM (as of Oct 11, 2016)



Source: Factset, Amundi Research

(1) Developed Asia Pacific: Australia, Hong-Kong, Japan, New Zealand, Singapore

## Different alternatives to go beyond mainstream approach...

- MSCI World AC or MSCI World?
  - ✓ A first recognition of the role of EM. A bigger and growing awareness among Institutional Investors than Retail Investors
- GDP weighted or Full market cap indices?
  - ✓ A quantum leap in the representation of EM but difficult to implement given the limited size of the available market
- Economic Exposure indices?
  - ✓ A promising hybrid approach that allows to mix DM and EM companies actively involved on Emerging markets<sup>1</sup>
  - ✓ The dynamism of EM combined to the advantages of DM (governance, liquidity, forex...)
- Thematic Emerging Indexes?
  - ✓ MSCI EM index is largely biased towards Financials (24,0%) and IT (23,5%) which is not necessarily desired
  - ✓ To go beyond mainstream roads, Thematic EM indexes can be worth to look at (Consumer growth, ESG...).

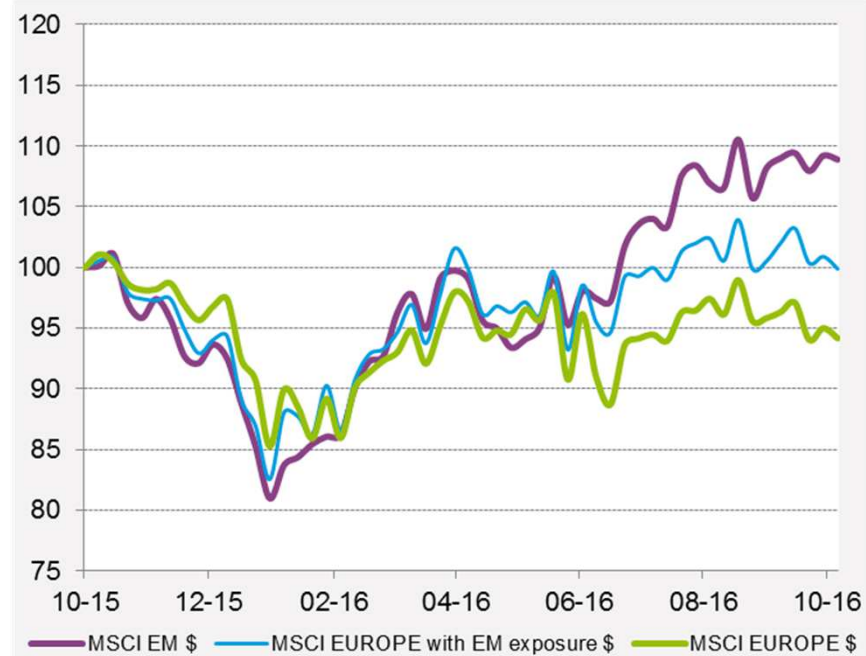
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(1) Companies like Nestlé, Danone or BAT are doing respectively 40%, 45% , and 50% of their Sales on Emerging & Developing countries vs. 19% on average for the MSCI World

(2) respectively 16,2% and 14,5% for the MSCI World

## Benchmark and alternatives...

MSCI EM vs European formulas, last 12M total return  
(as of 26/10/2016)



MSCI Emerging thematic, last 12M total return  
(as of 26/10/2016)

