

MARKETING COMMUNICATION.  
STRICTLY PRIVATE AND CONFIDENTIAL. FOR PROFESSIONAL INVESTORS ONLY.



A Prudential plc company 

Eastspring Investments

# Has value outperformance across emerging markets only just begun?

**invested** in our best ideas.

September 2022

**Experts in Asia.** Invested in Your Future.

[eastspring.com/lu](https://eastspring.com/lu)



# Leading asset manager in Asia

Leveraging our Asian DNA to capitalise on global opportunities



Founded **1994** in Singapore (HQ) and 100% owned by Prudential plc



Managing **USD 222bn<sup>†</sup>** assets on behalf of institutional and retail investors globally



Unrivalled footprint in Asia with over **300+ investment professionals<sup>^</sup>** on the ground in 11 markets<sup>^</sup>



Our **deep understanding of Asian markets**, paired with our **global perspectives** helps us to develop unique investment solutions for our clients



Strong commitment to responsible investment and delivering **long term sustainable outcomes** for the benefit of our clients



● Sales office   
 ● Sales and investment office   
 ● \* Joint venture

Source: Eastspring Investments. †As at 30 June 2022. ^Including joint ventures and sales offices in the US, UK and Luxembourg. AUM size by contracted sales. Note: bn = billion Prudential plc provides life and health insurance and asset management in Asia and Africa. Prudential is not affiliated in any manner with Prudential Financial, Inc. a company whose principal place of business is in the United States of America..

# Where does GEM Value go from here?

## Key messages



### Value outperforms over the long term

- ▶ We believe value investing can generate superior long-term returns in Global Emerging Market ("GEM") equities.



### We're exploiting behavioural biases

- ▶ Behavioural biases create a structural opportunity for us to exploit over time and we have seen a substantial valuation opportunity created in GEM equities over the last few years.



### Value tailwinds set to remain

- ▶ Over the last 18 months we have seen the start of a reversal in some of these biases which has supported Value outperformance.
- ▶ A risk that this continues as the next 5 years could look very different to the last decade

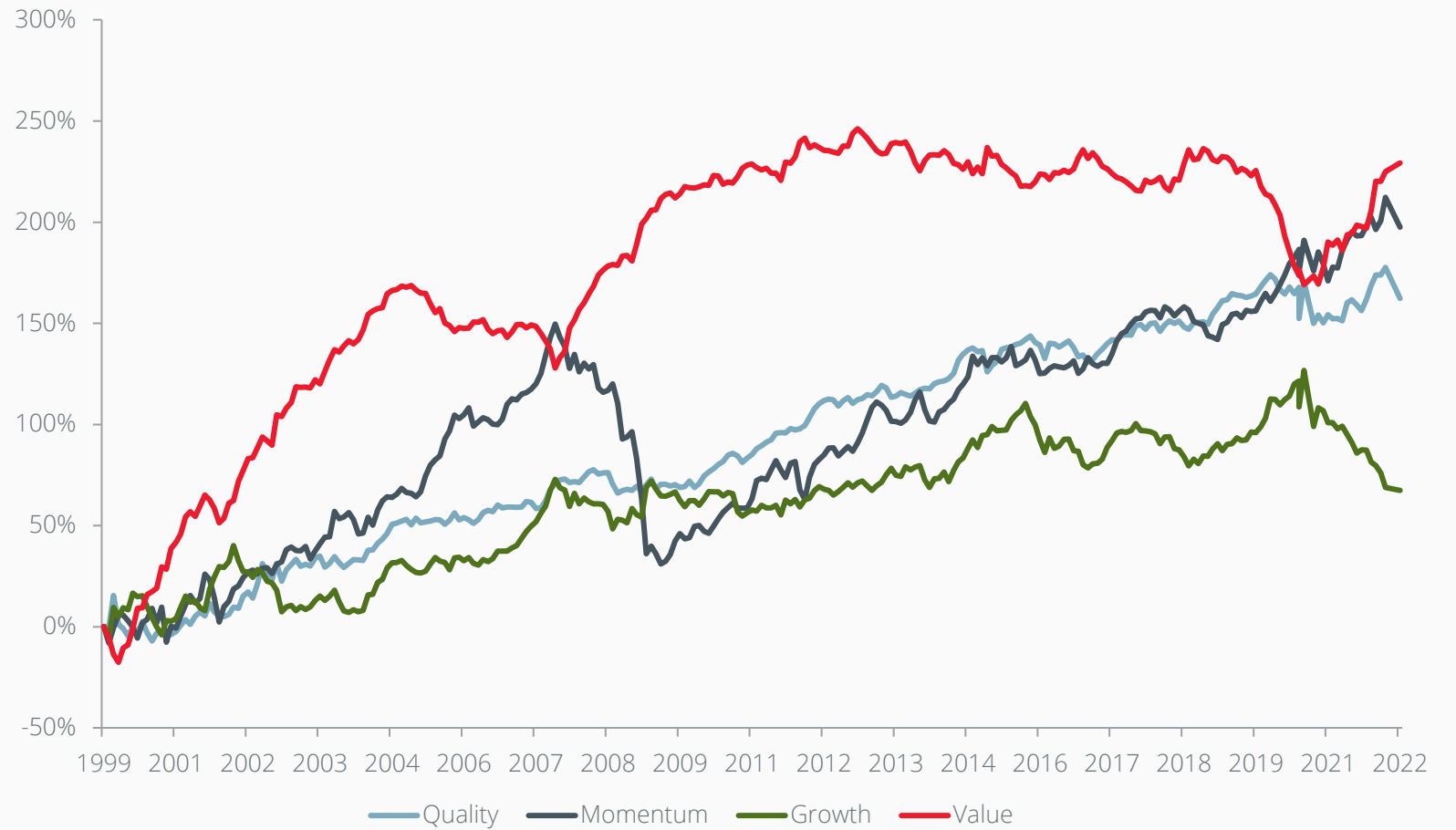


### How to capture the opportunity

- ▶ You need to be emotionally detached and disciplined in your approach to continue to capture the large valuation opportunity

# Value investing outperforms over the long term in Emerging Markets

GEM Style Indices – Cumulative Factor Performance over the MSCI Emerging Markets Index



# Why?

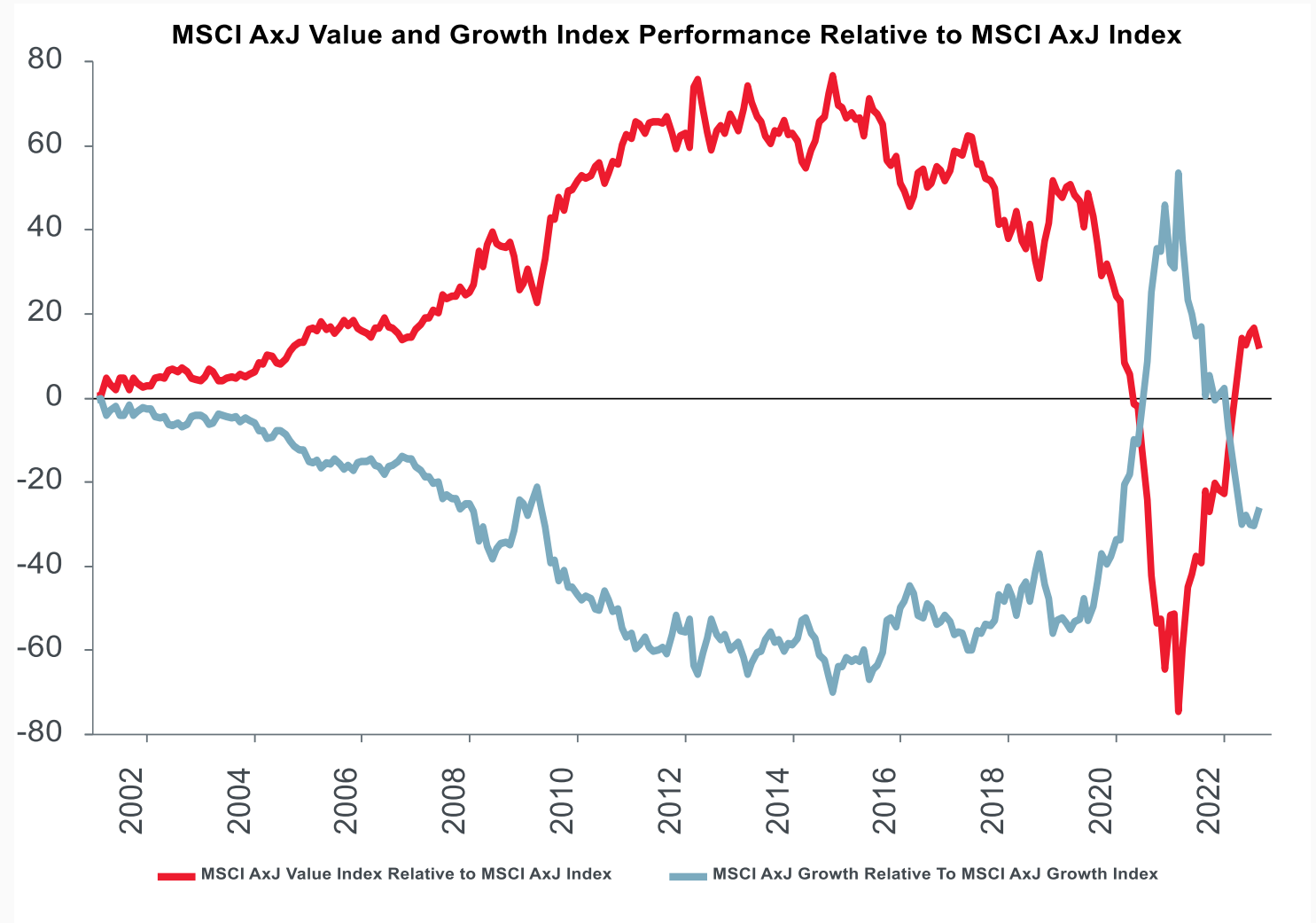
Prices often don't represent fundamentals



Source: Google.

# Value and growth styles have taken very different paths in recent years

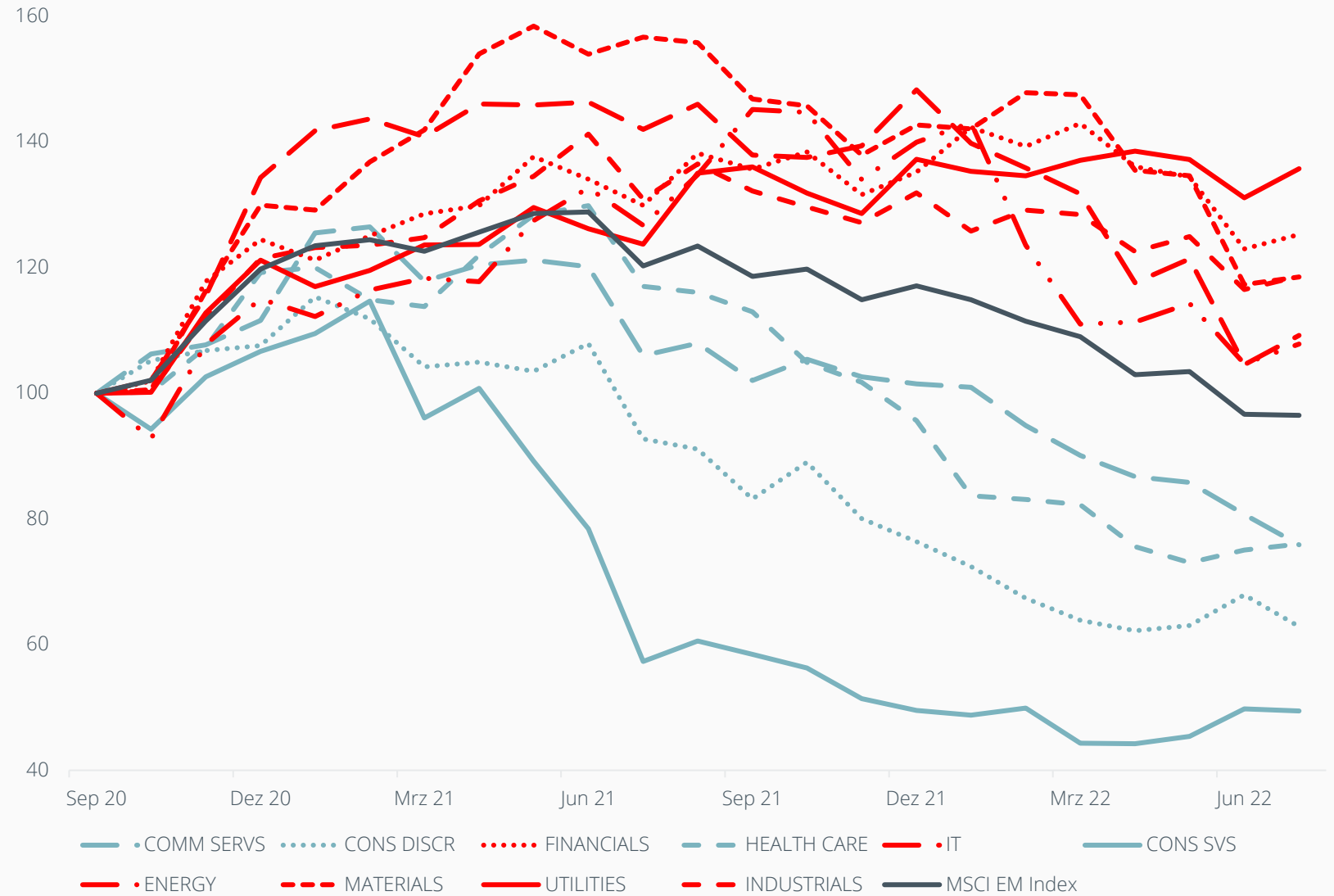
Value is now outperforming once again



Source: Eastspring Investments, Refinitiv Datastream, MSCI, as at 22 August 2022. Comparison of relative performance of MSCI Asia ex Japan Growth Index and MSCI Asia ex Japan Value Index against the MSCI Asia ex Japan Index performance. Total returns in USD. Please note that there are limitations to the use of such indices (index) as proxies (a proxy) for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.

# Value sectors have outperformed since October 2020

### MSCI EM Index Sectors Total Return (USD rebased)



Source: Refinitiv Eikon Datastream, Eastspring Investments as at 29 July 2022

## The next 5 years could be very different to the last 10 years

### POST GFC

- › Policy response focused on Monetary and Banking System
- › Tepid growth
- › No inflationary pressure
- › Digital revolution
- › Bias against Capex and asset heavy models

### Next 5 Years?

- › Policy response laser focused on investing in real economy and supporting the consumer
- › Significant inflationary pressure and rising rates
- › Decarbonisation revolution
- › Diversifying the supply chain away from China
- › Pick up in Capex in real economy sectors
- › Significant infrastructure programs across the world

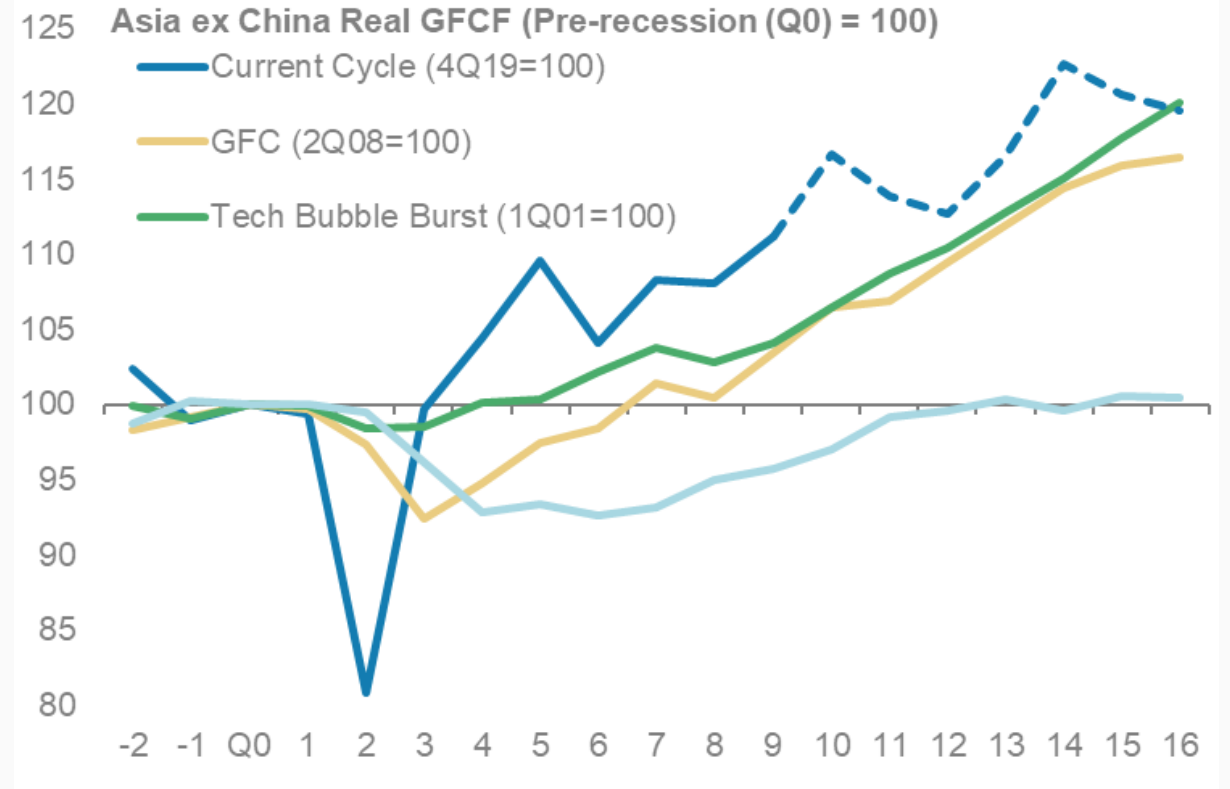
A very tangible risk that we are entering an extended period of higher growth and higher inflationary pressures  
**This is supportive of Value investing in Asia and Emerging Market equities**



# Global capex is depressed but expectations to increase across Asia and Emerging markets

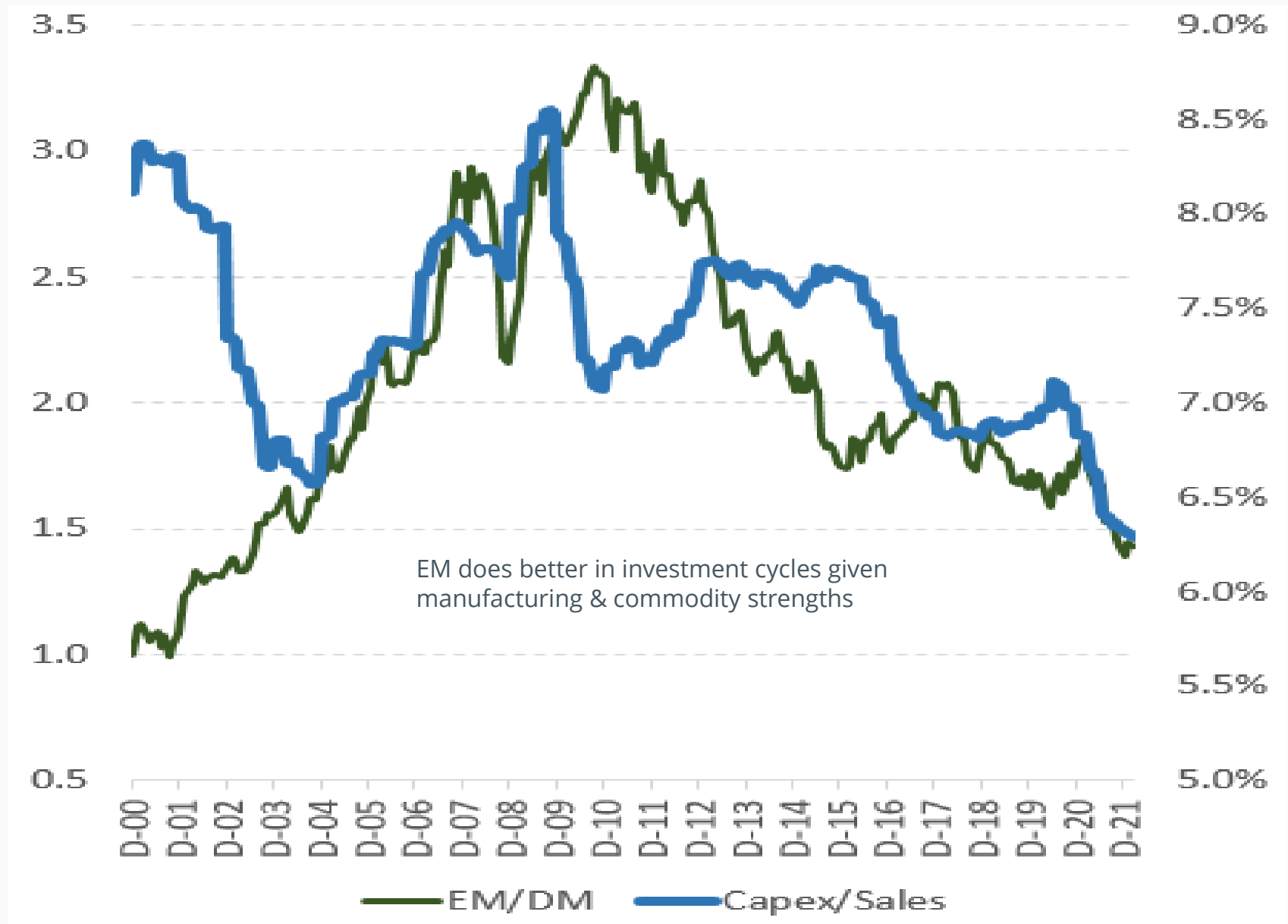
Companies have reduced their capex as a % of revenues since the GFC<sup>1</sup>

Source: Datateam, Goldman Sachs Global Investment Research



<sup>1</sup> Goldman Sachs, Getting Real – Strategies for a positive interest rate world, 10 February 2022.

# Increase in capex should be great for Asia and EM

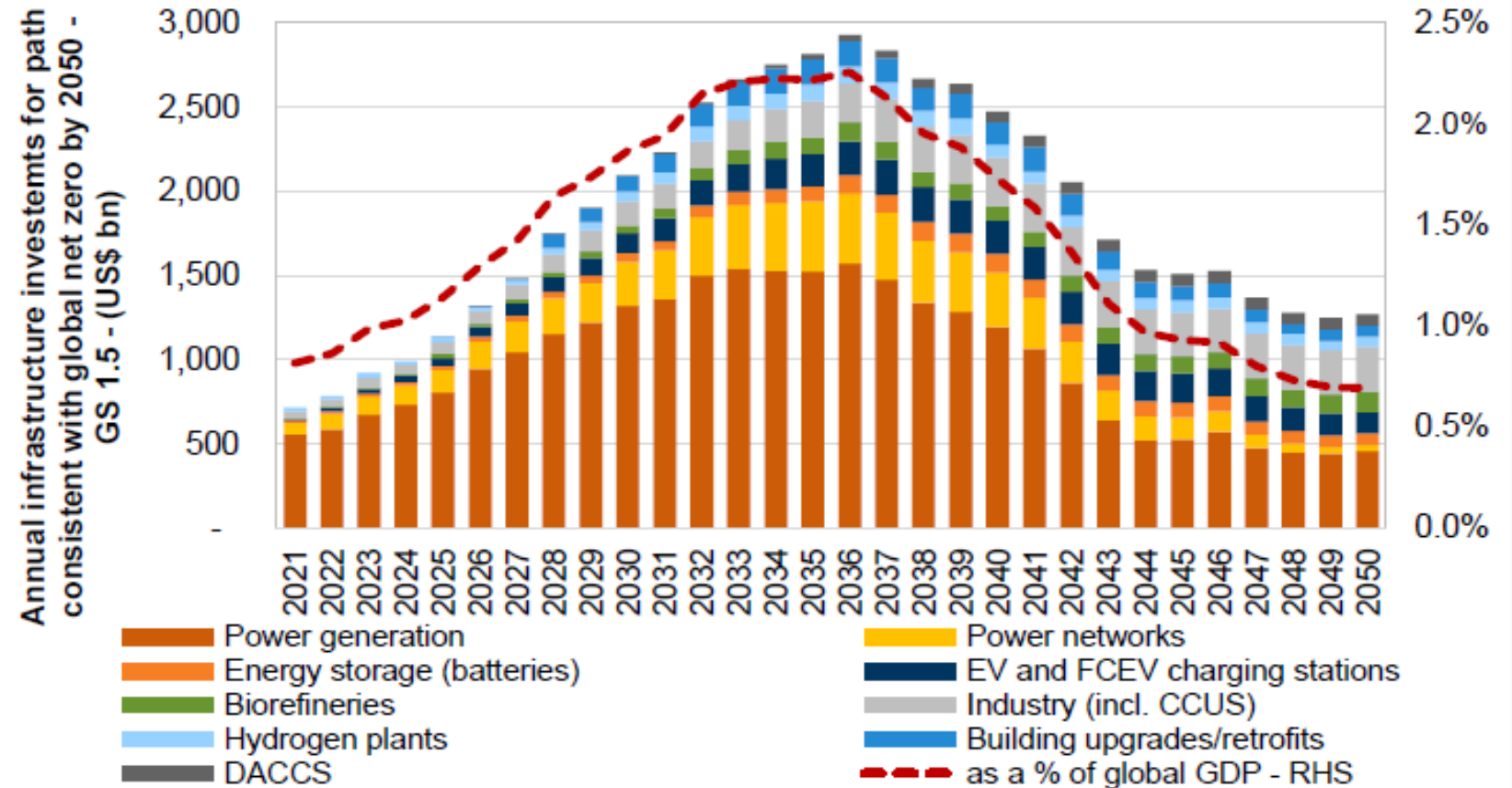


Source: Global capex/sales data sourced from Goldman Sachs (Datastream).



**Decarbonisation**  
 investment  
 focused on real  
 economy value  
 stocks \$56TN  
 invested by 2050

Annual infrastructure investments for GS 1.5 path to net zero by 2050  
 (US\$ tn)





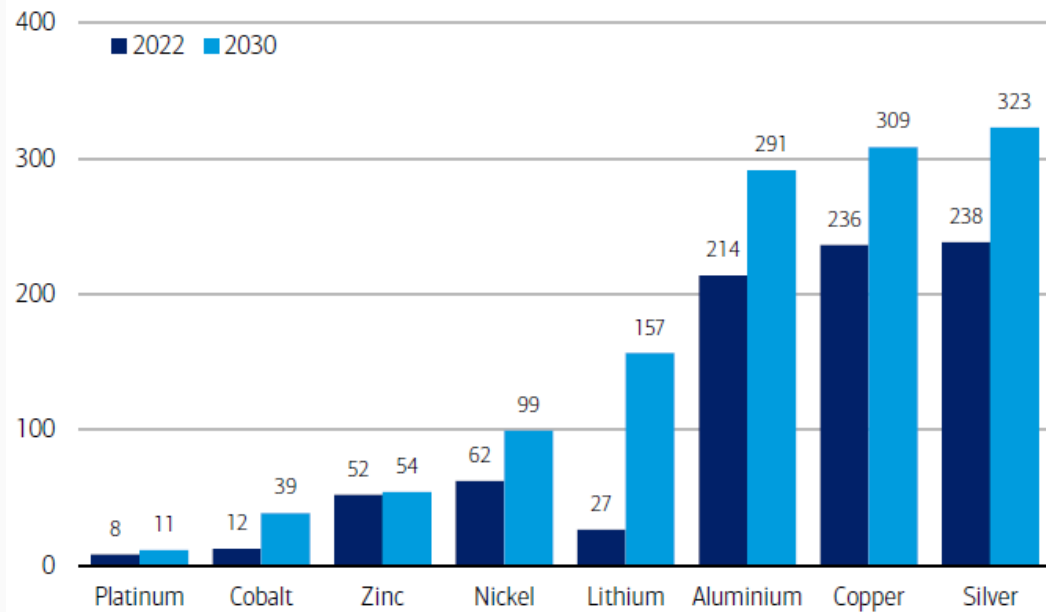
# Resulting commodity demand pickup to benefit emerging markets

5

STRICTLY PRIVATE AND CONFIDENTIAL. FOR PROFESSIONAL INVESTORS ONLY.

4

**Exhibit 81: Strategic Commodity TAM: +50% to \$1.3tn by 2030**  
Strategic commodities market is expected to rise >50% to \$1.3tn by 2030



Source: CRU, Woodmac, company reports, Bloomberg, USGS, BofA Global Research; \$US Billion  
BofA GLOBAL RESEARCH

## Key minerals\*:

### 2020 % reserves & production

China	EM
Indonesia	EM
S. Africa	EM
Chile	EM
Kazakhstan	FM
Australia	DM
Korea	EM
Peru	EM
Russia	EM
Brazil	EM
Vietnam	FM
Philippines	EM
Turkey	EM
Poland	EM
Mexico	EM
India	EM
France	DM
Argentina	FM
Ghana	FM
Finland	DM

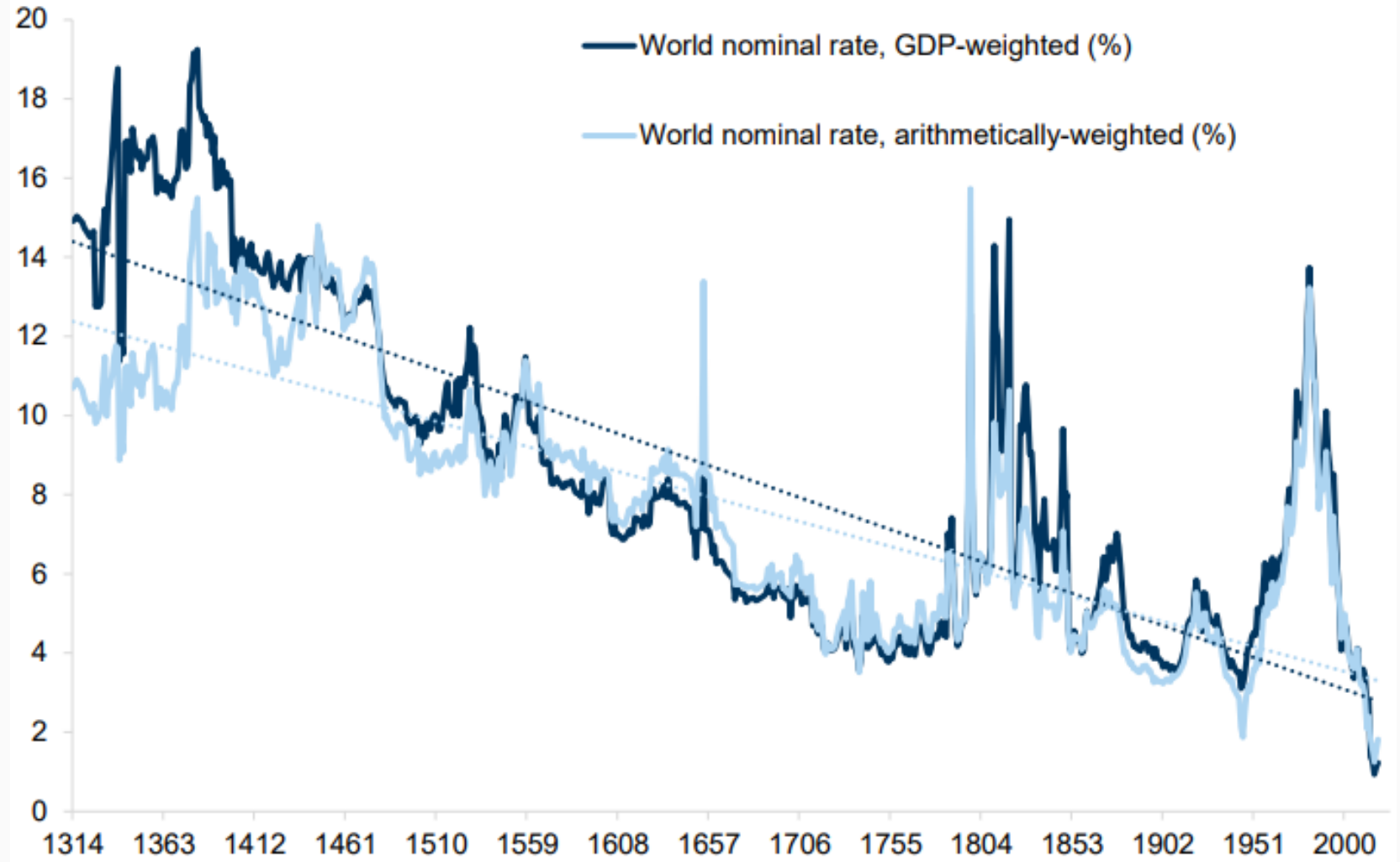
\* lithium, cobalt, copper, nickel, manganese, uranium, platinum, rare earth oxide equivalent, indium, gallium aluminum, chromium, molybdenum, silver, zinc and vanadium.

<sup>1</sup> Goldman Sachs, Getting Real – Strategies for a positive interest rate world, 10 February 2022. <sup>4</sup>Bank of America: The World is Not Enough – Scarcity Primer, 23 February 2022. <sup>5</sup>HSBC, Fragile Planet 2022, March 2022; Mineral Endowments: ranked exposure to 16 critical cleantech commodities

# Rising interest rates supportive of value

But Headwind for growth and quality stocks

**Nominal interest rates are at record low levels**  
Nominal bond yields, GDP- and arithmetically-weighted, 1314-2018

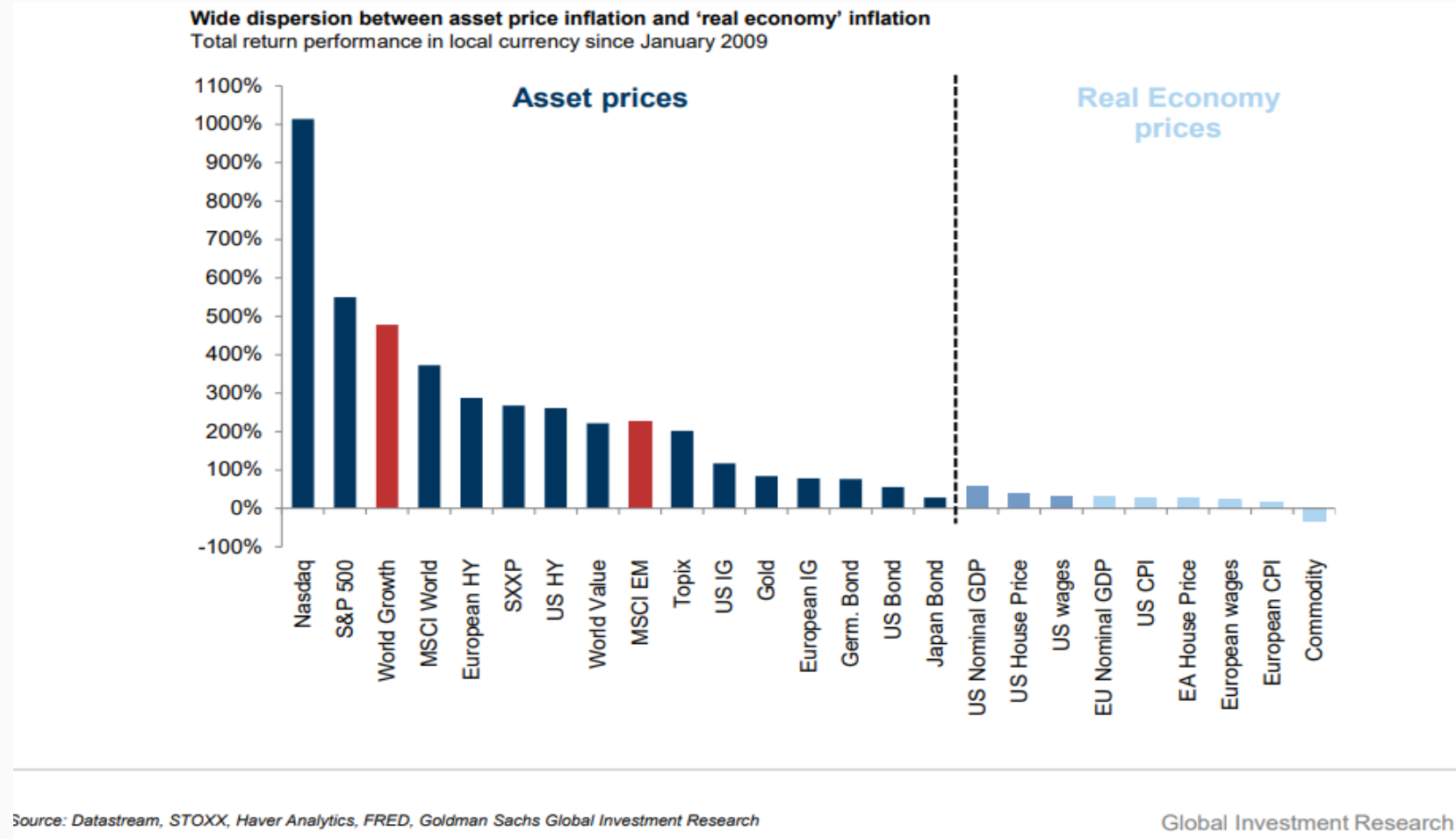


Source: Bank of England, Goldman Sachs Global investment Research, February 2022.



Low inflation and asset prices was good for tech and growth in 2010s

### Asset performance in the 2010s

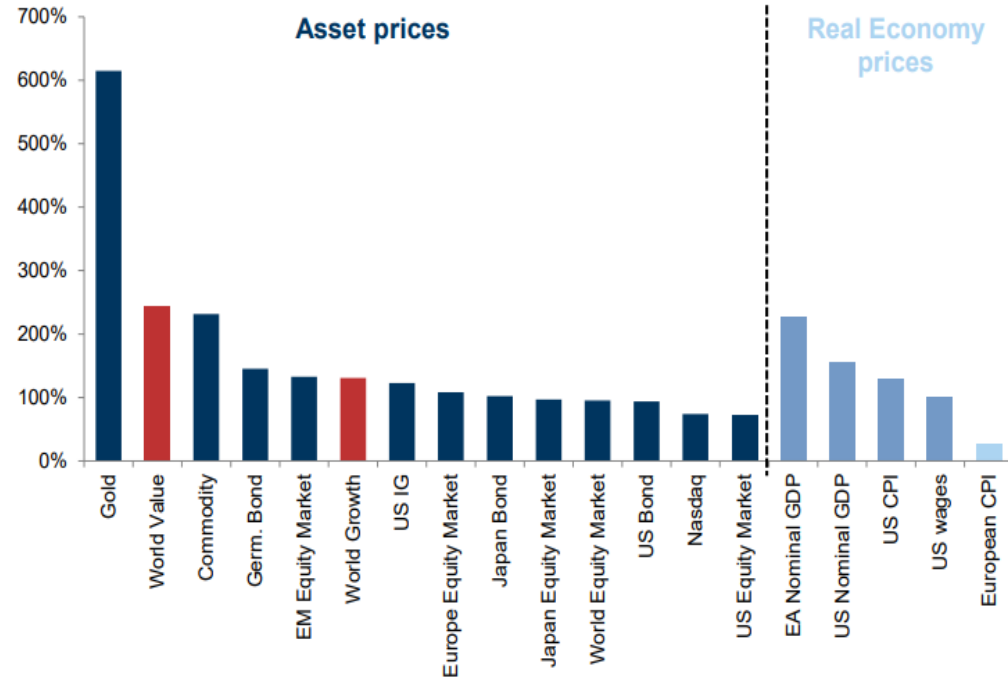




# Higher inflation and asset prices tends to be good for commodities, GEM equities and value style

## Asset performance in the 1970s

Asset price inflation and 'real economy' inflation during the 1973-1983 decade  
Total return performance in local currency

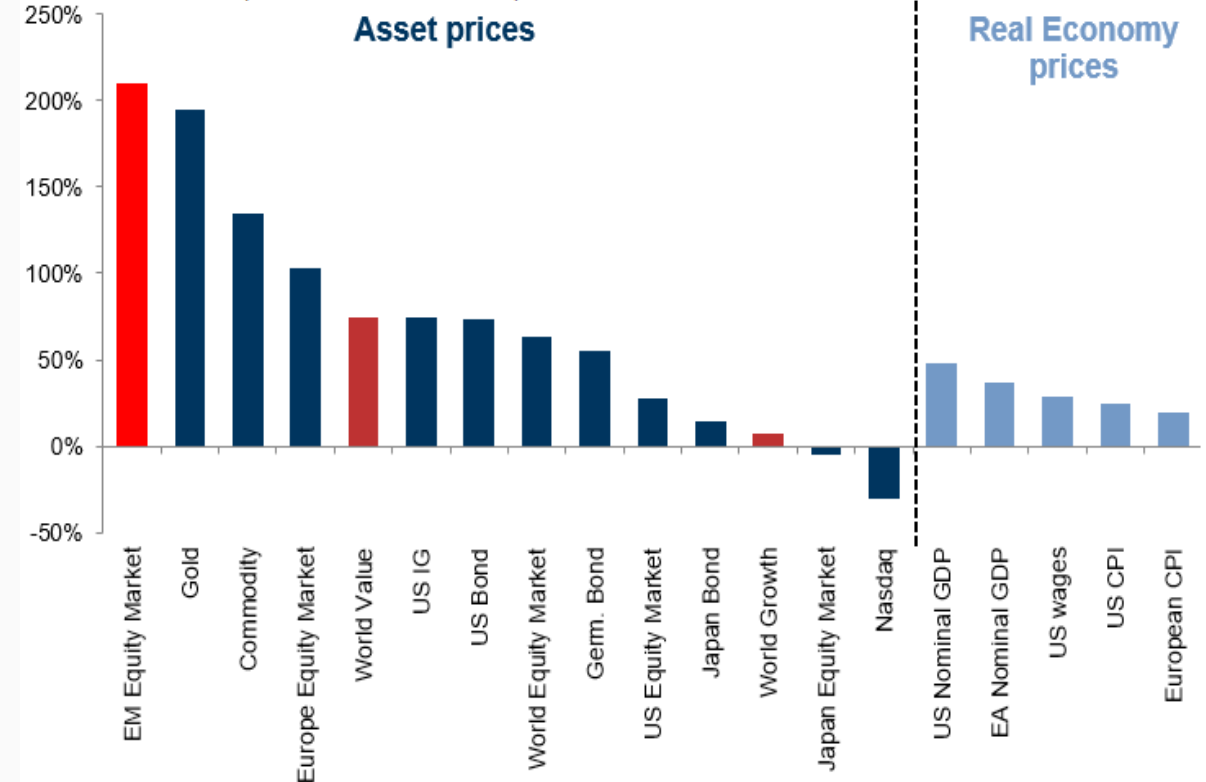


Source: Datastream, STOXX, Haver Analytics, FRED, Goldman Sachs Global Investment Research

Global Investment Research

## And in 2000-2007

Asset prices and 'real economy' prices changes between Feb-2000 and Dec-2007  
Total return performance in local currency

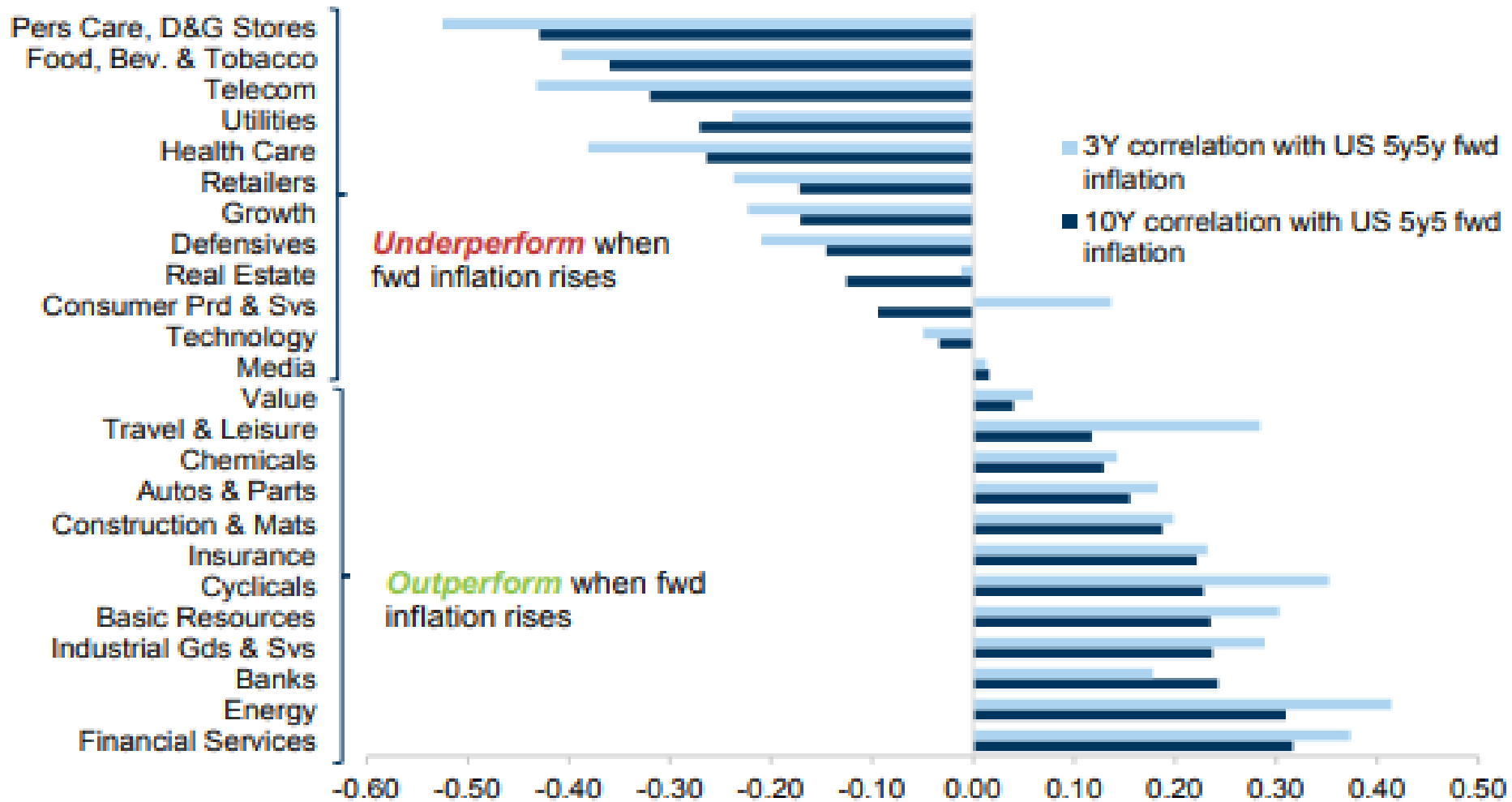


Source: Datastream, STOXX, Haver Analytics, FRED, Goldman Sachs Global Investment Research



# Rising inflationary pressure supportive of Value sectors

Correlation with relative price performance of World sectors and factors, w/w returns



STRICTLY PRIVATE AND CONFIDENTIAL. FOR PROFESSIONAL INVESTORS ONLY.



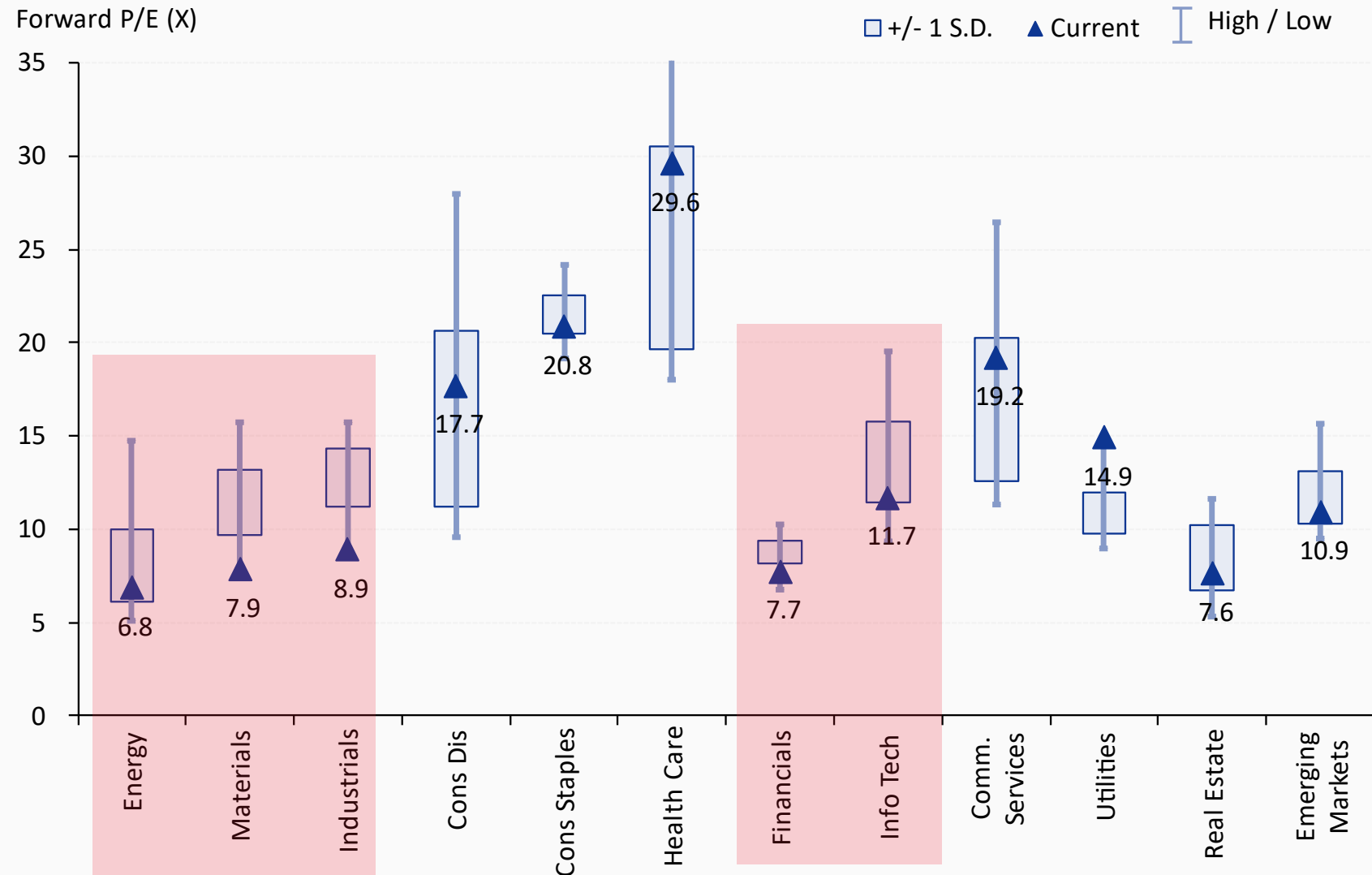


# Value sectors still look attractive

A great entry point still

STRICTLY PRIVATE AND CONFIDENTIAL. FOR PROFESSIONAL INVESTORS ONLY.

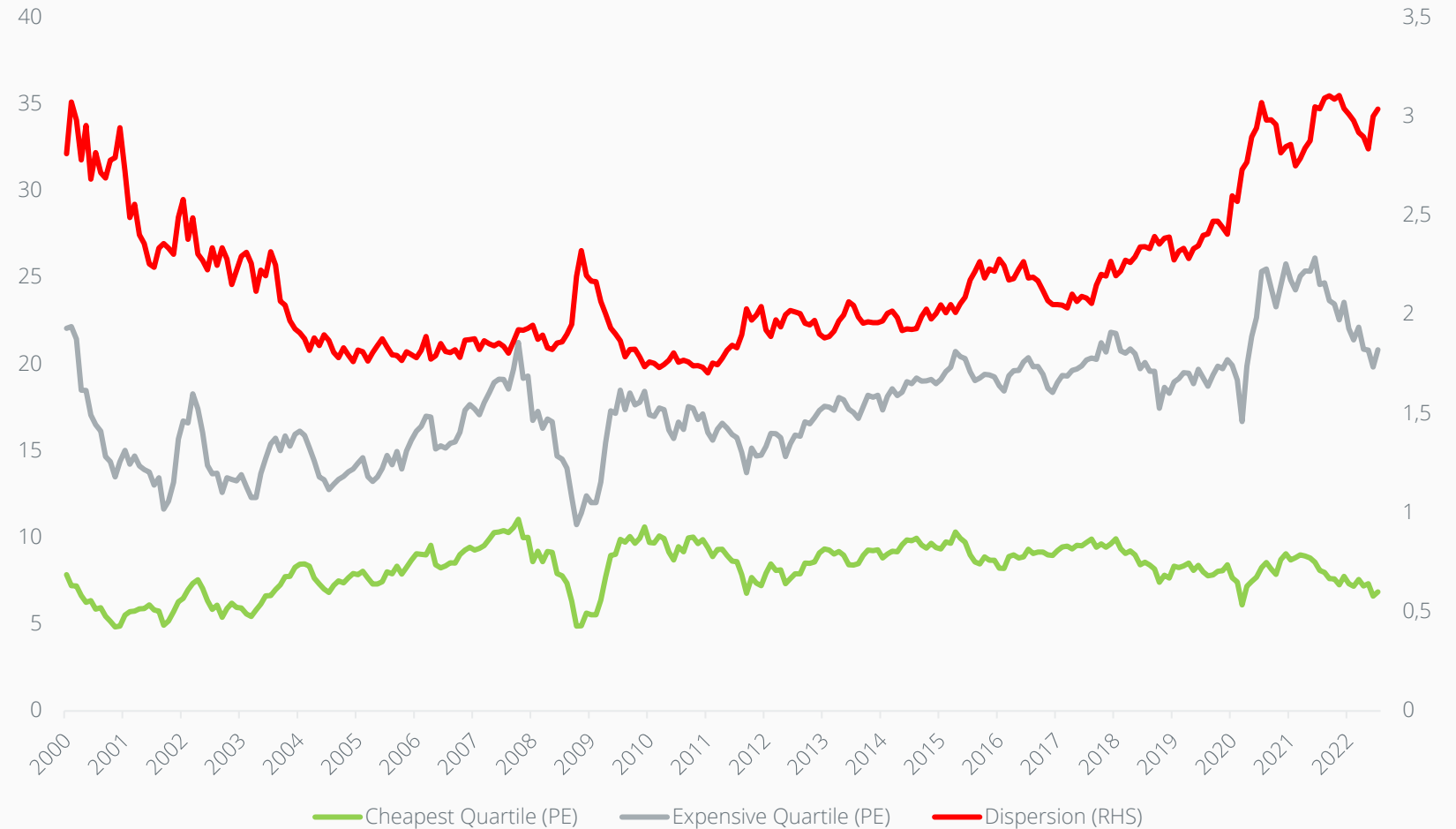
### GEM Equity Sector Valuations



# How to capture the Value opportunity

Need a disciplined approach targeting the cheaper stocks in the market

Emerging market dispersion data highlights the value opportunity



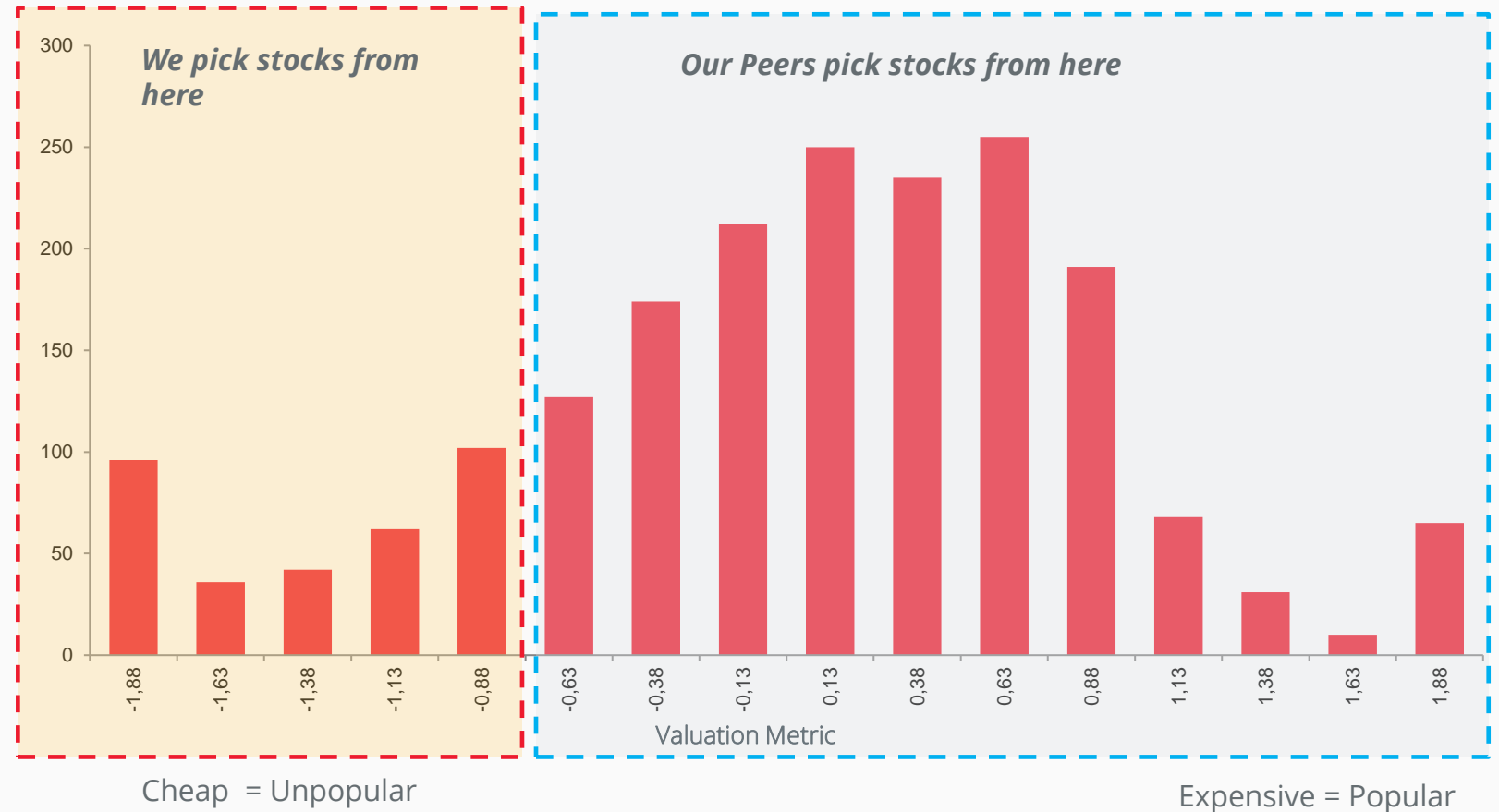
Source: Eastspring Investments, 30 June 2022. PE – Forward 12 month price to earnings ratio. Valuation dispersion is defined as the average Forward 12 month price to earnings ratio of the 25% most expensive stocks (Expensive Quartile) in the research universe divided by the average forward 12 month price to earnings ratio of the 25% least expensive stocks (Cheapest Quartile) in the research universe. The research universe is defined as the top 95% by market capitalisation of the S&P Emerging BMI plus Korea. The historical performance or forecast presented in this slide is not indicative of, and should not be construed as being indicative of, or otherwise used as a proxy for the future or likely performance of the Strategy.



# Discipline is key to capturing the Value opportunity

Focusing on valuation outliers.

Number of Stocks



Source: Eastspring Investments. The graph and information are included for illustrative purposes only. The information provided herein are subject to change at the discretion of the Investment Manager without prior notice



# Conclusion



## **Value outperforms in GEM over the long term**

- ▶ Exploiting a hard-wired structural opportunity over time
- ▶ Value recently begun to outperform other styles again

## **Value could continue to outperform**

- ▶ Risk the backdrop could be very different for next 5 years
- ▶ Starting point is very supportive of Value outperformance

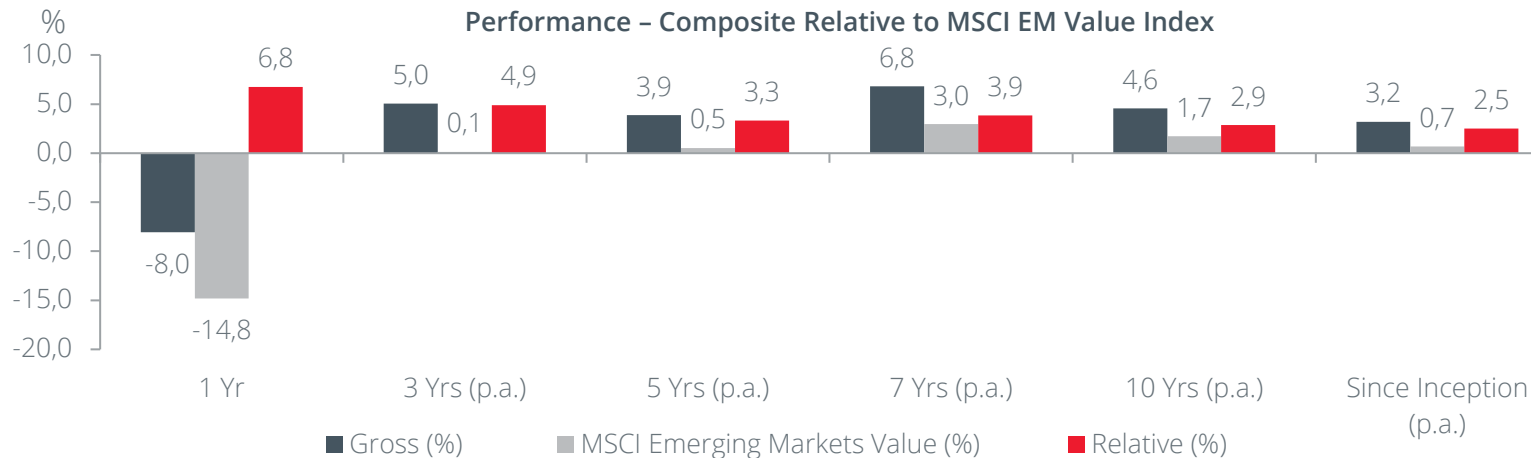
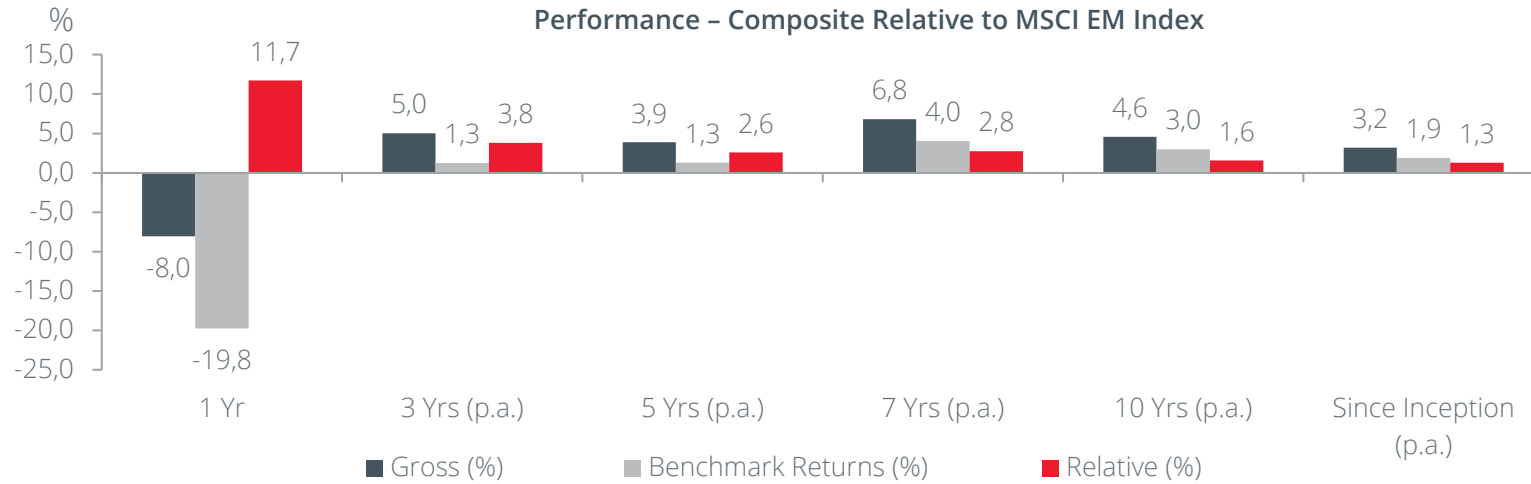
## **A disciplined approach to capture the opportunity**

- ▶ To outperform, don't move with the crowd
- ▶ Identify managers that remain committed to their style

# APPENDIX

# Global Emerging Markets Dynamic Strategy Performance

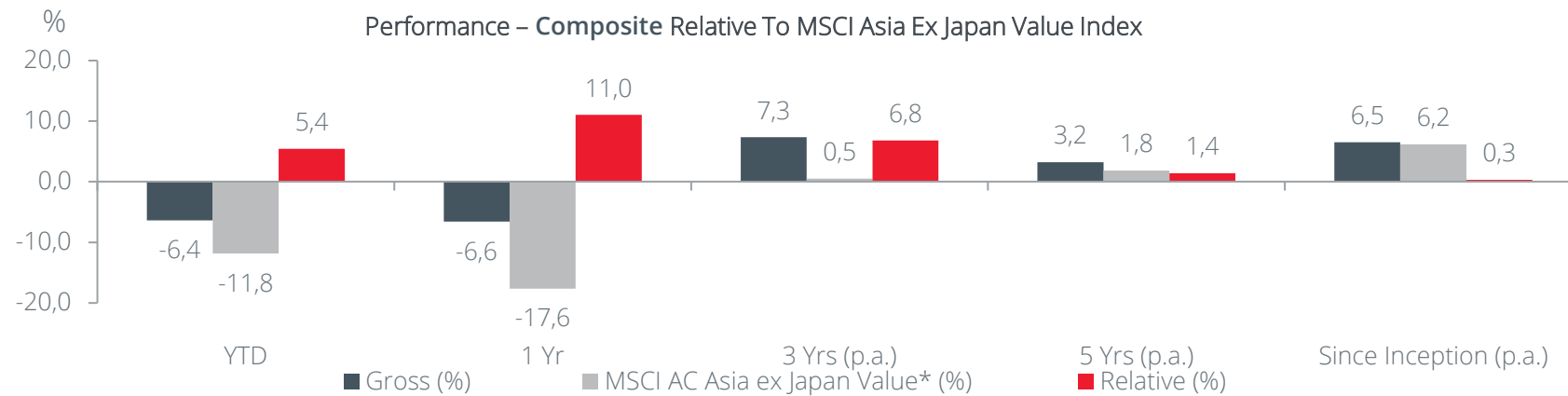
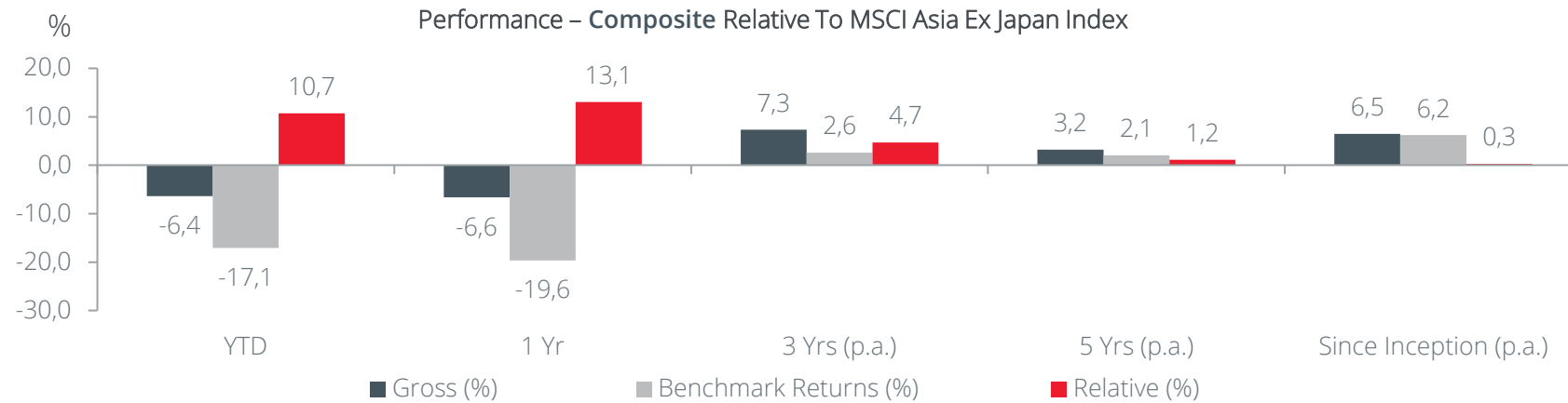
## Performance as at 31 July 2022



Source: Eastspring Investments, 31 July 2022 (C0208). Benchmark: MSCI Emerging Markets Index. This is for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument, investment product, security or service. Inception date: 01 December 2010. Past performance is not necessarily indicative of the future or likely performance. Please see GIPS report in the appendix of this presentation.

# Asian Dynamic Strategy Performance

## Performance as at 31 July 2022



# Eastspring Investments – Global Emerging Markets Dynamic

## Composite July 2022 (USD)

Rolling Results	Annualised figures											
	1 M	1 Y	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs	9 Yrs	10 Yrs	S.I
Composite Return - Net (%)	0.8	-8.7	12.2	4.2	2.6	3.0	5.9	5.9	2.0	3.4	3.7	2.3
Composite Return - Gross (%)	0.9	-8.0	13.0	5.0	3.4	3.9	6.8	6.8	2.9	4.3	4.6	3.2
Benchmark Return (%)	-0.2	-19.8	-1.5	1.3	0.5	1.3	4.9	4.0	1.7	3.1	3.0	1.9
Relative to Gross (%)	1.0	11.7	14.5	3.8	2.9	2.6	1.9	2.8	1.2	1.1	1.6	1.3
Composite Annualised Volatility (%)	N/A	12.5	16.9	20.2	19.5	18.3	17.1	18.2	18.4	17.8	17.4	18.9
Highest Return in Composite (%)	1.1	-7.1	13.8	5.5	2.7	3.4	6.4	6.4	2.5	4.0	4.3	3.0
Lowest Return in Composite (%)	0.6	-10.7	11.6	4.2	2.7	3.4	6.4	6.4	2.5	4.0	4.3	3.0
Tracking Error (%)	N/A	6.9	6.9	7.6	7.0	6.4	6.1	5.8	5.8	5.5	5.4	5.2
Information Ratio	N/A	1.7	2.1	0.5	0.4	0.4	0.3	0.5	0.2	0.2	0.3	0.2

Calendar Year Data	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Composite Return - Net (%)	-4.5	2.8	8.0	14.2	-12.3	31.1	19.1	-17.0	-9.6	-0.6	24.1	-21.3
Composite Return - Gross (%)	-4.1	3.6	8.8	15.2	-11.5	32.2	20.2	-16.3	-8.8	0.2	25.2	-20.6
Benchmark Return (%)	-17.6	-2.2	18.7	18.9	-14.3	37.3	11.2	-14.9	-2.2	-2.6	18.2	-18.4
Relative to Gross (%)	13.6	5.8	-9.9	-3.7	2.8	-5.0	9.0	-1.3	-6.6	2.8	6.9	-2.2
Composite 3-Year Annualised Volatility (%)	20.2	21.4	21.8	14.6	14.9	17.6	18.8	16.4	17.0	21.2	N/A	N/A
Benchmark 3-Year Annualised Volatility (%)	18.2	18.6	19.9	14.4	14.8	15.6	16.3	14.3	15.2	19.3	N/A	N/A
Number of Portfolios	3	3	3	2	1	1	1	1	1	1	1	1
Market Value at End, USD (bn)	1.11	1.28	1.54	0.95	0.47	0.52	1.73	0.46	0.48	0.12	0.02	0.02

Eastspring Investments claims compliance with Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. To receive a complete list and description the composites and/or a presentation that adheres to the GIPS standards, contact the relevant sales representatives or email [institutional@eastspring.com](mailto:institutional@eastspring.com).

The Firm is defined as all portfolios, except those that are predominantly Private Equity portfolios, of Eastspring Investments (Singapore) Limited and Eastspring Investments (Hong-Kong) Limited (collectively referred to as "Eastspring Investments"), which are business units within the Prudential Plc Group.

This composite includes a single portfolio that invest primarily in GEM Dynamic equities and managed to MSCI Emerging Mkts Index.

This Composite was created on 1 Dec 10 and Composite Performance starts from 1 Dec 10. A full List of the Firm's Composites is available upon request.

From 1 May 2018, benchmark was changed to MSCI Emerging Mkts Gross Div Index from Net Div Index.

Eastspring Investments has been independently verified for the periods 1 Jan 1995 - 31 Dec 2009 and 1 Jan 2018 - 31 Dec 2019. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firms policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The minimum fund size requirement for a fund to be included in a composite is USD3 million.

All returns are presented in Dollar. Market Values are presented in Dollar.

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Performance results are presented gross of investment management fees and net of trading expenses. Treatment of other fees and withholding tax on dividends, interest income and capital gains varies for the underlying portfolios. Additional information on other fees treatment are available upon request.

Portfolios within the composite has no or minimal derivatives exposure

If a fund has a cash flow or in-specie transfer (either in or out) that is greater than 10% of the opening balance of the fund, then the impact on portfolio performance has to be assessed to determine whether it should be held out-of-structure. If the impact on performance is equal to or greater than 20 basis points, then the fund can be excluded from composite performance until it is back in structure. Additional information regarding the treatment of significant cash flows is available upon request.

The highest % of management fee charged are as per below:

Equity Strategies : 2.00% per annum

Fixed Income Strategies : 1.25% per annum

Additional information regarding policies for calculating and reporting returns is available on request

The Firm total assets under management as of 31 December 2021 was USD191.81 billion.

Net composite returns shown do not represent actual net returns of underlying portfolios but are calculated net of the highest band fee (net down by 0.75% p.a.) in the tiered management fee schedule applicable to an institutional investor investing in such a strategy. However, the firm reserves the right to change this fee structure and hence net composite returns might change without prior or subsequent notifications to current or potential investors

Effective 1st November 2018, Information Ratio is calculated as (Annualized Fund Return - Annualized Bench Return) / Tracking Error.

Prior to 1st November 2018, Information Ratio was calculated as (Average Annualized Excess Return / Tracking Error).



# Eastspring Investments – Asian Dynamic Strategy

## Composite July 2022 (USD)

Rolling Results	Annualised figures											
	1 M	1 Y	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs	9 Yrs	10 Yrs	S.I
Composite Return - Net (%)	-1.0	-7.3	13.4	6.5	1.3	2.4	6.6	4.8	2.3	4.2	3.5	5.6
Composite Return - Gross (%)	-0.9	-6.6	14.2	7.3	2.1	3.2	7.4	5.6	3.2	5.1	4.4	6.5
Benchmark Return (%)	-1.1	-19.6	-2.1	2.6	1.2	2.1	5.9	4.8	3.4	4.9	5.3	6.2
Relative to Gross (%)	0.2	13.1	16.3	4.7	0.9	1.2	1.5	0.8	-0.2	0.1	-0.9	0.3
Composite Annualised Volatility (%)	N/A	9.5	16.3	18.9	19.0	18.0	17.1	18.1	17.8	17.2	16.6	22.7
Highest Return in Composite (%)	-0.9	-6.6	14.2	7.3	2.1	3.2	7.4	5.6	3.2	5.1	4.4	6.5
Lowest Return in Composite (%)	-0.9	-6.6	14.2	7.3	2.1	3.2	7.4	5.6	3.2	5.1	4.4	6.5
Tracking Error (%)	N/A	6.9	8.2	8.8	8.2	7.6	7.3	7.0	6.7	6.5	6.3	6.3
Information Ratio	N/A	1.9	2.0	0.5	0.1	0.2	0.2	0.1	0.0	0.0	-0.1	0.0

Calendar Year Data	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Composite Return - Net (%)	-6.8	4.6	14.0	9.6	-13.8	38.0	8.3	-20.3	9.8	-6.7	19.1	-18.4
Composite Return - Gross (%)	-6.4	5.4	14.9	10.5	-13.1	39.2	9.2	-19.6	10.7	-5.9	20.0	-17.7
Benchmark Return (%)	-17.1	-4.5	25.4	18.5	-14.1	41.8	5.4	-9.2	4.8	3.1	22.4	-17.1
Relative to Gross (%)	10.7	9.9	-10.5	-8.0	1.0	-2.6	3.8	-10.4	5.9	-9.0	-2.4	-0.7
Composite 3-Year Annualised Volatility (%)	18.9	20.4	21.7	16.1	16.0	17.5	17.3	14.8	14.7	19.3	22.0	27.9
Benchmark 3-Year Annualised Volatility (%)	16.7	17.5	18.9	14.8	14.8	15.0	15.1	13.3	13.5	18.5	20.7	25.6
Number of Portfolios	1	1	1	1	1	1	1	1	1	1	1	1
Market Value at End, USD (bn)	0.20	0.09	0.09	0.07	0.07	0.08	0.13	0.13	0.16	0.14	0.13	0.11

Eastspring Investments claims compliance with Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. To receive a complete list and description the composites and/or a presentation that adheres to the GIPS standards, contact the relevant sales representatives or email [institutional@eastspring.com](mailto:institutional@eastspring.com).

The Firm is defined as all portfolios, except those that are predominantly Private Equity portfolios, of Eastspring Investments (Singapore) Limited and Eastspring Investments (Hong-Kong) Limited (collectively referred to as Eastspring Investments), which are business units within the Prudential Plc Group.

This composite includes a single portfolio that aggressively manages Asia ex Japan equities and managed to MSCI AC Asia ex Japan Index.

This Composite was created on 1 Aug 06 and Composite Performance starts from 1 Aug 06. A full List of the Firm's Composites is available upon request.

From 1 May 2012, the benchmark was changed to MSCI AC Asia ex Japan Net Div Index from Gross Div Index. From 1 Dec 2017, the benchmark was changed to MSCI AC Asia ex Japan Gross Div Index.

Eastspring Investments has been independently verified for the periods 1 Jan 1995 - 31 Dec 2009 and 1 Jan 2018 - 31 Dec 2019. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firms policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The minimum fund size requirement for a fund to be included in a composite is USD3 million.

All returns are presented in Dollar. Market Values are presented in Dollar.

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Performance results are presented gross of investment management fees and net of trading expenses. Treatment of other fees and withholding tax on dividends, interest income and capital gains varies for the underlying portfolios. Additional information on other fees treatment are available upon request.

Portfolios within the composite has no or minimal derivatives exposure

If a fund has a cash flow or in-specie transfer (either in or out) that is greater than 10% of the opening balance of the fund, then the impact on portfolio performance has to be assessed to determine whether it should be held out-of-structure. If the impact on performance is equal to or greater than 20 basis points, then the fund can be excluded from composite performance until it is back in structure. Additional information regarding the treatment of significant cash flows is available upon request.

The highest % of management fee charged are as per below:

Equity Strategies : 2.00% per annum

Fixed Income Strategies : 1.25% per annum

Additional information regarding policies for calculating and reporting returns is available on request

The Firm total assets under management as of 31 December 2021 was USD191.81 billion.

Net composite returns shown do not represent actual net returns of underlying portfolios but are calculated net of the highest band fee (net down by 0.75% p.a.) in the tiered management fee schedule applicable to an institutional investor investing in such a strategy. However, the firm reserves the right to change this fee structure and hence net composite returns might change without prior or subsequent notifications to current or potential investors

Effective 1st November 2018, Information Ratio is calculated as (Annualized Fund Return - Annualized Bench Return) / Tracking Error.

Prior to 1st November 2018, Information Ratio was calculated as (Average Annualized Excess Return / Tracking Error).



# Disclaimer

STRICTLY PRIVATE AND CONFIDENTIAL. FOR PROFESSIONAL INVESTORS ONLY.

For Institutional, Professional or Qualified Investors Only. Not for distribution to the retail public.

This document is produced by Eastspring Investments (Singapore) Limited and issued in:

The European Economic Area (for professional clients only), the UK (professional clients only) and Switzerland (for qualified investors only) by Eastspring Investments (Luxembourg) S.A., 26, Boulevard Royal, 2449 Luxembourg, Grand-Duchy of Luxembourg, registered with the Registre de Commerce et des Sociétés (Luxembourg), Register No B 173737.

The afore-mentioned entities are hereinafter collectively referred to as Eastspring Investments.

This document is solely for information purposes and does not have any regard to the specific investment objective, financial situation and/or particular needs of any specific persons who may receive this document. This document is not intended as an offer, a solicitation of offer or a recommendation, to deal in shares of securities or any financial instruments. It is a marketing communication and it may not be published, circulated, reproduced or distributed without the prior written consent of Eastspring Investments.

Investment involves risk. Past performance and the predictions, projections, or forecasts on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of Eastspring Investments or any of the funds managed by Eastspring Investments.

Information herein is believed to be reliable at time of publication. Where lawfully permitted, Eastspring Investments does not warrant its completeness or accuracy and is not responsible for error of facts or opinion nor shall be liable for damages arising out of any person's reliance upon this information. Any opinion or estimate contained in this document may subject to change without notice.

Eastspring Investments (excluding JV companies) companies are ultimately wholly-owned/indirect subsidiaries/associate of Prudential plc of the United Kingdom. Eastspring Investments companies (including JV's) and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with Prudential Assurance Company, a subsidiary of M&G plc, a company incorporated in the United Kingdom