



GLOBAL MEGATRENDS

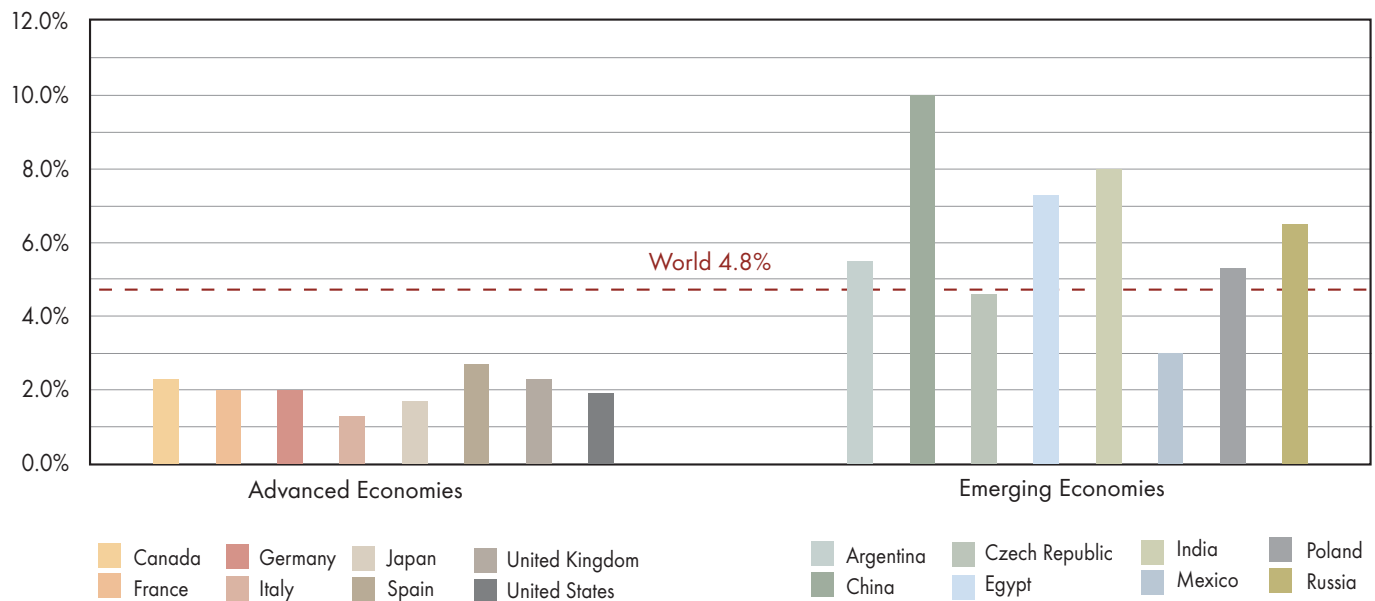
Today, and over the foreseeable future, a series of events — call them global megatrends — will have a profound impact on the world economy. Each issue of *Point of View* will share insight into these trends and how the institutional investment community is preparing to address them.

THE GROWTH OF GLOBAL INVESTING

As the world's economies become increasingly interlinked, institutional investors have adopted a more global perspective. Investors' domestic or "home market" biases are gradually waning and the level of cross-border investment activity has increased. Pension reforms in many countries are increasing the use of funded pensions in both the public and private sectors. As the pool of institutional assets continues to expand, particularly with the growth of pension funds in developing countries, investors are looking to new and emerging markets for investment opportunities.

Projected 2008 Economic Growth

World GDP is expected to grow 4.8% this year. Deeper analysis shows that many emerging and developing economies are expected to post stronger economic growth than the developed countries.



Source: International Monetary Fund, World Economic Outlook, October 2007

Countries Enact Pension Reforms

As countries seek to improve retirement coverage for their citizens, the global pool of pension assets is expected to grow dramatically. A few of the developments that are expected to increase demand for both domestic and international investment opportunities include:

Bulgaria: The government's proposed medium-term fiscal reform program for 2008-2010 would increase social security pensions.

Chile: The lower house of Congress approved a bill that would establish a Basic Solidarity Pension, financed through general revenues; create a pension bonus for each child a woman bears or adopts; and subsidize social security contributions for low-income workers.

Colombia: Upcoming legislation is expected to include provisions for a multifund model for pension administrators.

Mexico: As of March 28, 2008, individual pension contributions are to be automatically invested in one of five "lifestyle" funds that are supposed to match investment horizons with appropriate levels of investment risk.

Singapore: The government announced five retirement reform proposals intended to extend working careers and improve returns on investment with the Central Provident Fund.

Source: Hewitt Associates LLC, Global Retirement Update, October 2007

Cross-Border Portfolio Investment Increases

Institutional investors, including pension funds and insurance companies, are looking beyond their domestic markets for investment opportunities. French institutions, for example, more than doubled their cross-border investment activity between 2001 and 2004.

	Investment in (US \$ millions):			
	Advanced Economies*		Emerging Markets**	
	2001	2004	2001	2004
Australia	72	154	4	5
Canada	237	348	14	20
France	641	1,598	9	26
Germany	738	1,396	25	47
Hong Kong SAR	123	232	23	59
Italy	448	785	34	32
Japan	1,044	1,554	37	42
Luxembourg	739	1,400	36	120
Switzerland	379	586	9	12
United Kingdom	1,064	1,679	100	172
United States	1,785	2,806	263	472

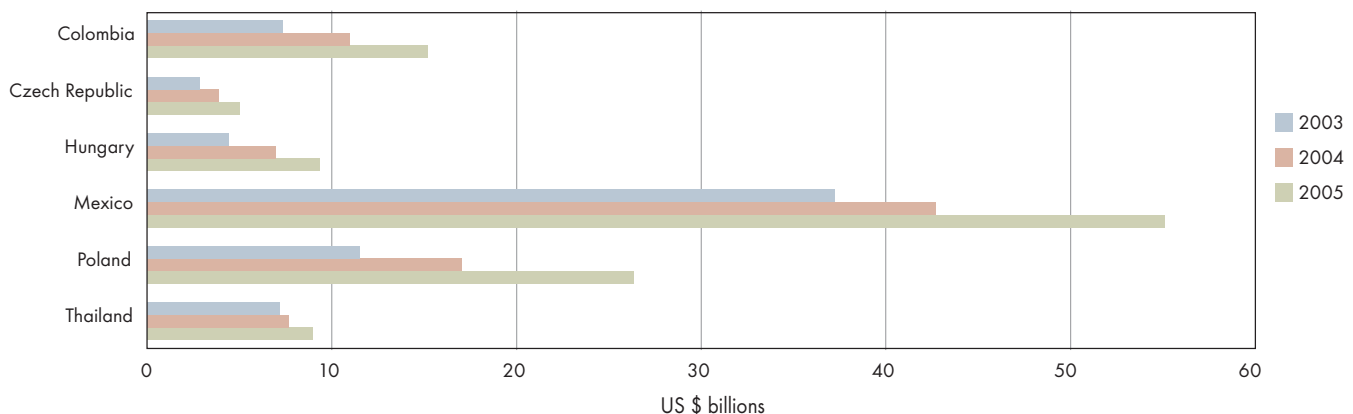
*As defined by the IMF minus the newly industrialized Asian economies.

** Includes Argentina, Brazil, Chile, China, Colombia, Czech Republic, Ecuador, Hong Kong SAR, Hungary, India, Indonesia, Korea, Malaysia, Mexico, the Philippines, Paraguay, Peru, Poland, the Russian Federation, Singapore, South Africa, Taiwan (China), Thailand, Turkey, Uruguay and Venezuela.

Source: Bank for International Settlements report, Institutional Investors, Global Savings and Asset Allocation, February 2007

Growth of Pension Assets in Emerging Economies

Pension reforms in many developing economies are spurring the growth of funded pensions, both public and private. These growing pools of assets will create further demand for global investment opportunities.



Source: Organisation for Economic Co-operation and Development, Global Pension Statistics