



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.

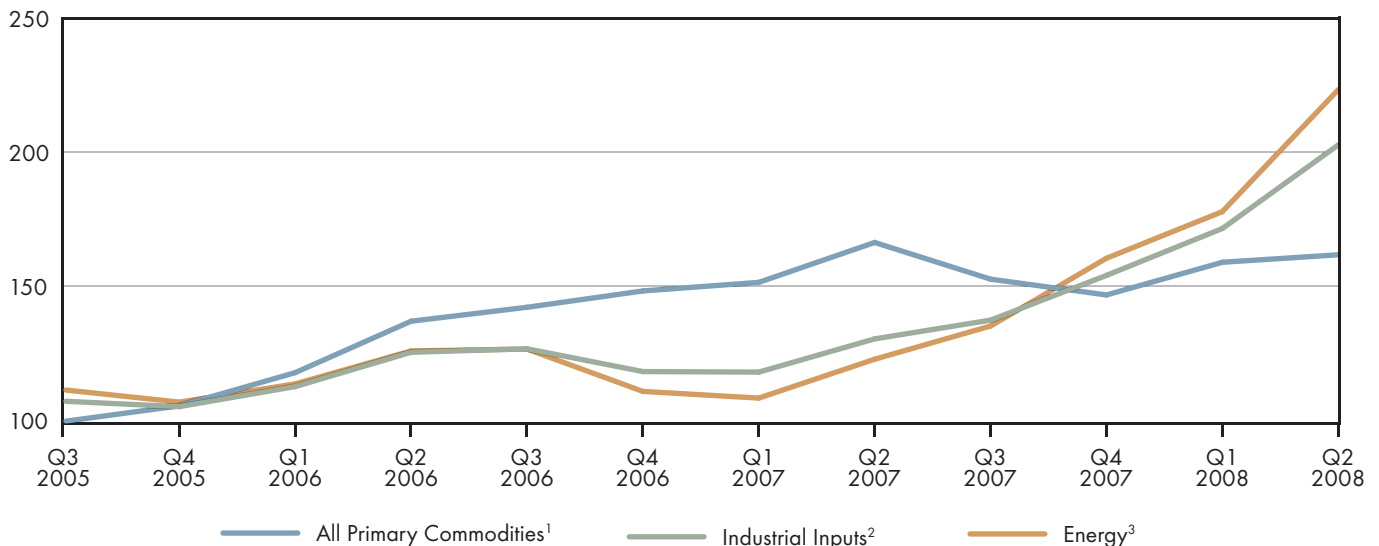
THE DEMAND FOR COMMODITIES

Commodities have enjoyed a strong bull market during the past several years, and many of the underlying factors driving demand — and higher prices — remain in place. For example, the world's population continues to grow, especially in urban areas, and is expected to hit 8.2 billion by the year 2030. In addition, the commodities appetite of developing countries should continue as they assume increasingly important roles on the global economic stage. These countries, as well as developed markets, must implement or improve their infrastructure systems to support their economic engines.

Commodity Prices Have Trended Higher

Increased demand and growing investor interest have pushed commodity prices to new heights, particularly in recent years. Prices fell back slightly during the summer of 2008 due to several factors, including investors recognizing profits, but the overall demand projections remain strong.

International Monetary Fund Indices of Primary Commodity Prices



Note: In terms of U.S. dollars. Base: January 2005 = 100

¹ Non-Fuel Primary Commodities and Energy Index

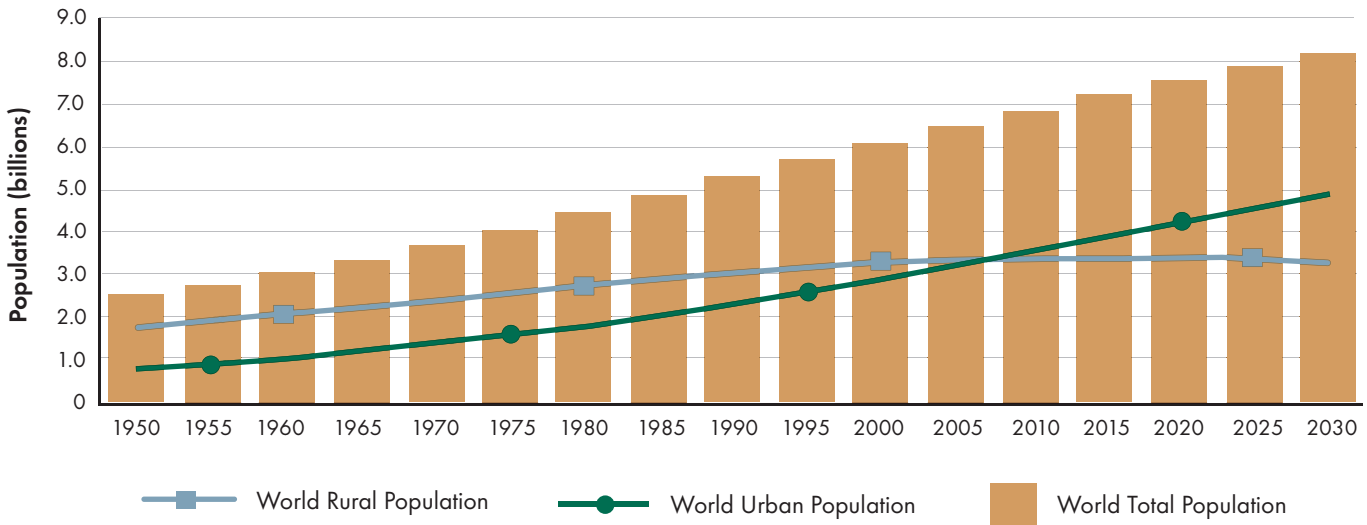
² Includes agricultural raw materials and metals

³ Includes petroleum, natural gas and coal

Source: International Monetary Fund

The Rise of Urban Areas

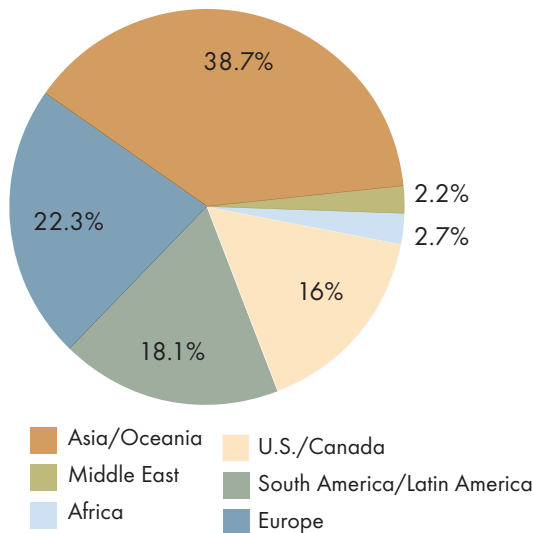
As the world's population grows, it is expected to become more urban. Current estimates show that by 2030, about 4.91 billion people, or roughly 60% of the world population, will live in urban areas.



Source: United Nations, Department of Economic and Social Affairs, Population Division

The Need for Infrastructure

Worldwide infrastructure expenditures are expected to top US\$40 trillion over the next 25 years as developed markets upgrade systems and emerging markets assume a larger role in the global economy.



Source: Booz Allen Hamilton, Global Infrastructure Partners, World Energy Outlook, Organisation for Economic Co-operation and Development, Boeing, Drewery Shipping Consultants and U.S. Department of Transportation

Increased Demand from Emerging Markets

Demand for commodities from emerging and transitional economies should remain strong as countries increase both productivity and consumption.

	1995 World Output	2006 World Output
TOTAL	\$39.4 trillion	\$58.6 trillion
High-income economies	66%	59%
East Asia and Pacific	9%	14%
Europe and Central Asia	7%	8%
Latin America and Caribbean	9%	8%
Middle East and North Africa	3%	3%
South Asia	4%	6%
Sub-Saharan Africa	2%	2%

Note: World output measured in 2005 international dollars (GDP in purchasing power parity terms).

Source: World Development Indicators 2008, The World Bank