Ashmore Group plc

Morgan Stanley European Financials Conference
Growing in a low return world

19th March 2013
Low returns in Developed Markets

- Structural challenges produce low growth, low inflation and low policy rates
- Negative real interest rates in Developed Markets (“DM”)
- Bubble valuations in Heavily Indebted Developed Countries’ “core” bond markets reinforced by regulation (financial repression)

**US 10-year TIPS yield (%)**

**Bank of England Gilt holdings (£bn)**

Source: Bank of England, Bloomberg
Superior growth in Emerging Markets

• Limited effect from Global Financial Crisis
• Emerging Markets ("EM") more resilient to external shocks
• Domestic demand an increasingly important driver of GDP growth

Source: IMF
DM investors remain underweight EM

- Developed Market investors are profoundly underweight the increasingly important Emerging Markets
- Ashmore has successfully attracted institutional investors from US, Canada, Europe, Japan and Australia
- Investment in distribution has created a scalable platform that is delivering growth
- Established and developing intermediary relationships with broker dealers, wealth managers and electronic platforms
  - US 40-Act AuM US$0.8bn (30th June: US$0.4bn)
  - SICAV AuM US$8.2bn (30th June: US$5.2bn)
  - c.US$3.5bn AuM sourced through intermediaries in Japan

Reasons to Allocate

- Foreign exchange reserves (67%)
- Market cap of listed stocks (32%)
- Global population (85%)
- Proven Oil and gas reserves (90%)
- 2010 IPO volume (69%)
- 2016E GDP PPP basis (54%)

Under Allocation

- US pension EM debt allocations (3%)
- US pension EM equity allocations (5%)
- UK institutional EM allocations (5%)

Source: IMF, BIS, Pensions & Investments
Attractive growth opportunities in Local Currency and Corporate debt

- **Local Currency** debt is ~85% of total Emerging Markets debt
- Yield curves are developing as local issuer base expands
- Structural reforms underpin medium term currency appreciation
- Central Banks will diversify their currency holdings, and look to invest locally or in other Emerging Market currencies

- **Corporate** debt is the fastest growing fixed income segment
- Strong GDP growth, rising domestic demand, disintermediation of banks, and developing yield curves all support market growth
- Attractive spreads in the context of lower leverage, more favourable economic backdrop, and lower default rates than seen in Developed Markets

- In H1 2012-13, Ashmore generated net inflows of 21% of opening AuM into both Local Currency and Corporate themes

![Emerging Markets debt outstanding](chart1)

![Lower leverage](chart2)

Source: BIS, BAML
Mobilising Emerging Markets capital

- 24% of AuM sourced from Emerging Markets, up from 22% in June 2012
  - principally from Emerging Markets’ largest capital pools managed centrally
- Local asset management platforms established:
  - to take advantage of market deregulation
  - to gain access to substantial pools of onshore capital managed domestically
- Recent developments include:
  - Indonesian operation established
  - China joint venture with Central China Securities Co. (“CCSC”) launched
Compelling growth opportunities for Ashmore

- Economic and market backdrop highlights the merits of investing in Emerging Markets, yet Developed Market investors are profoundly underweight.

- Attractive growth opportunities in Local Currency and Corporate debt:
  - the largest and fastest growing pools of fixed income assets in Emerging Markets
  - 21% growth in Local Currency and Corporate debt AuM from net flows in H1 2012-13

- Mobilising Emerging Markets capital is an important driver of longer term AuM growth.

- Ashmore is well positioned to benefit from these trends:
  - specialist active manager of Emerging Market assets with a long performance track record
  - diversified product offering, broad investor base, scalable platform
  - profitability maintained at an industry-leading level (70% EBITDA margin)
Disclaimer

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