

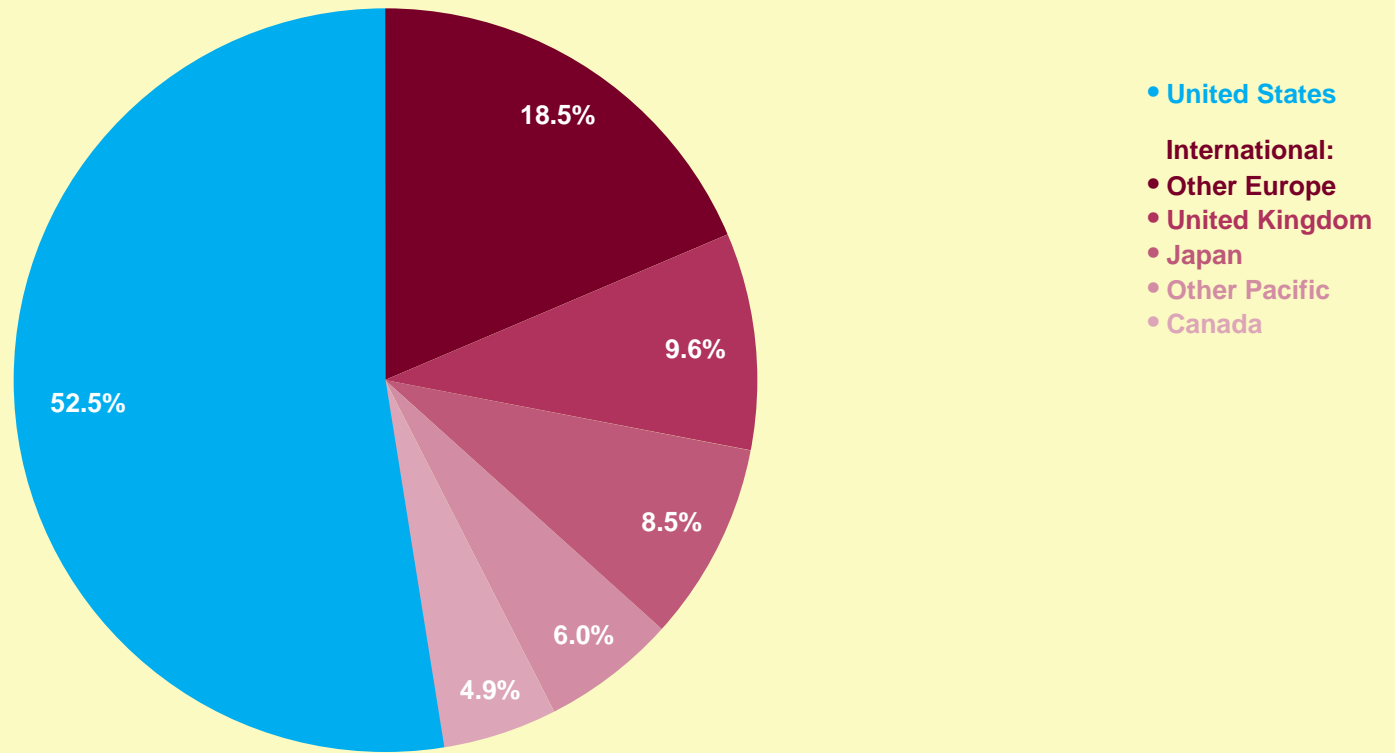
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# Global Investing



# World Stock Market Capitalization

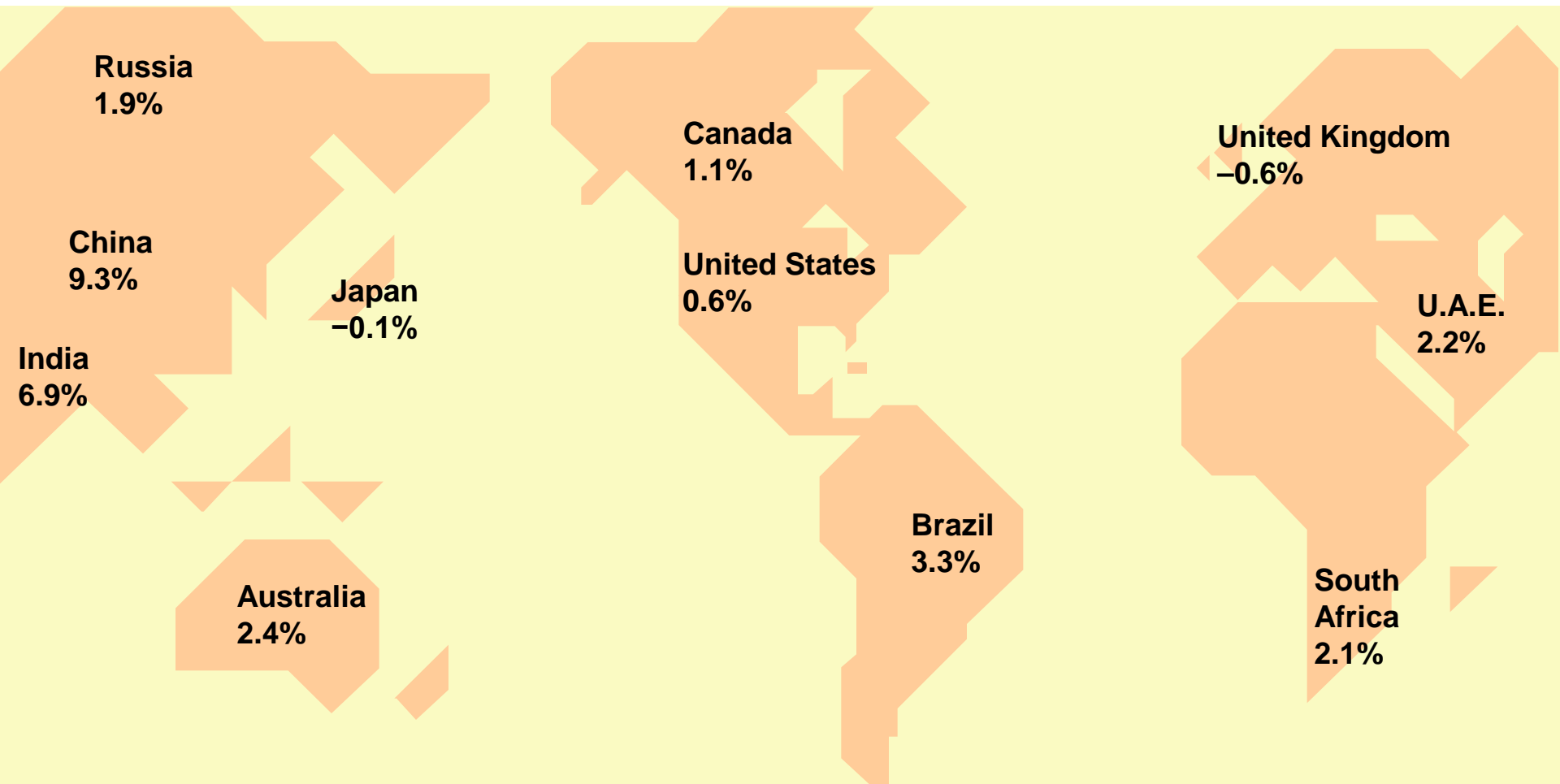
Year-end 2012





## GDP Growth by Region

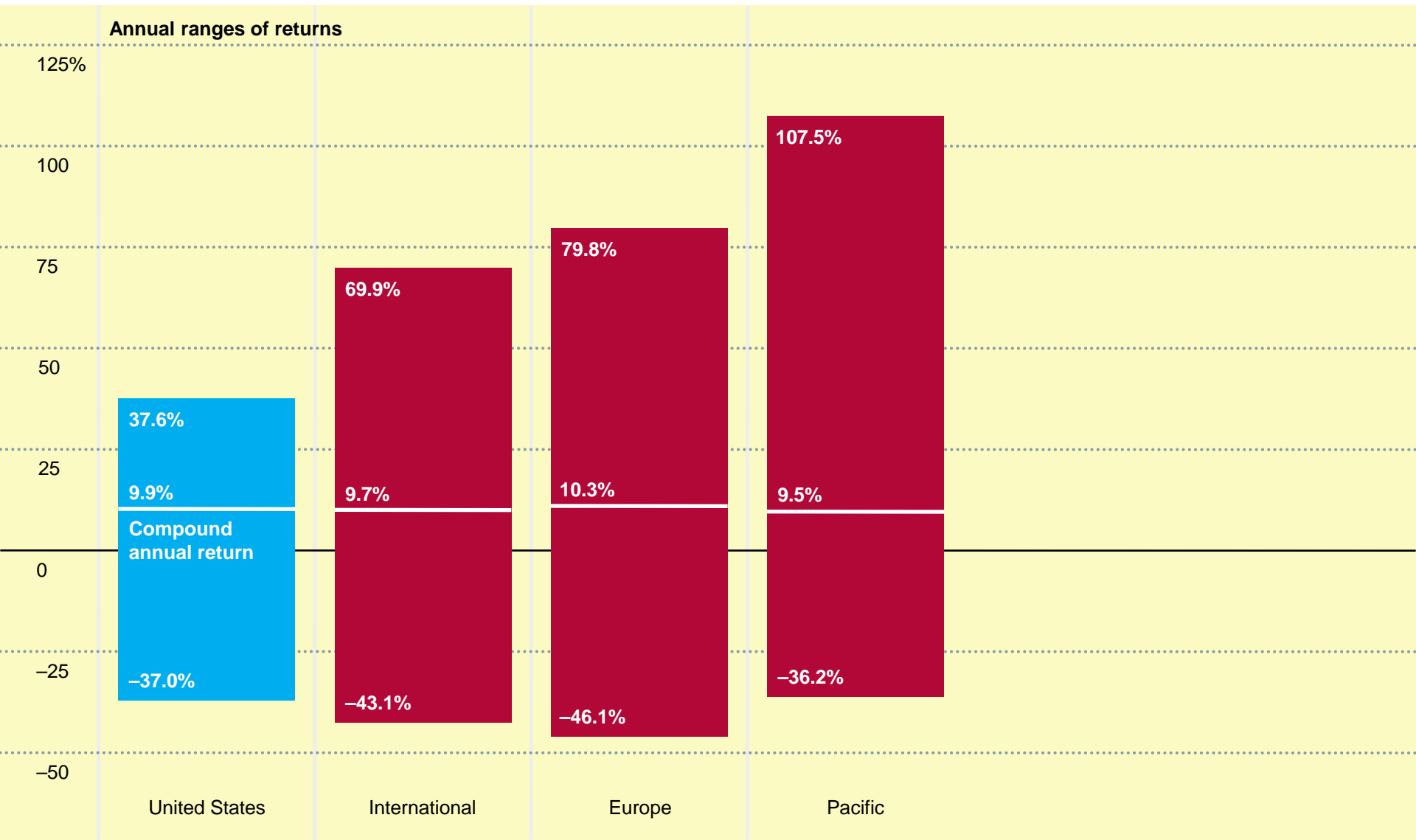
Five-year average annual percentage change 2008–2012





# Global Stock Market Returns

Highest and lowest historical annual returns for each region 1970–2012



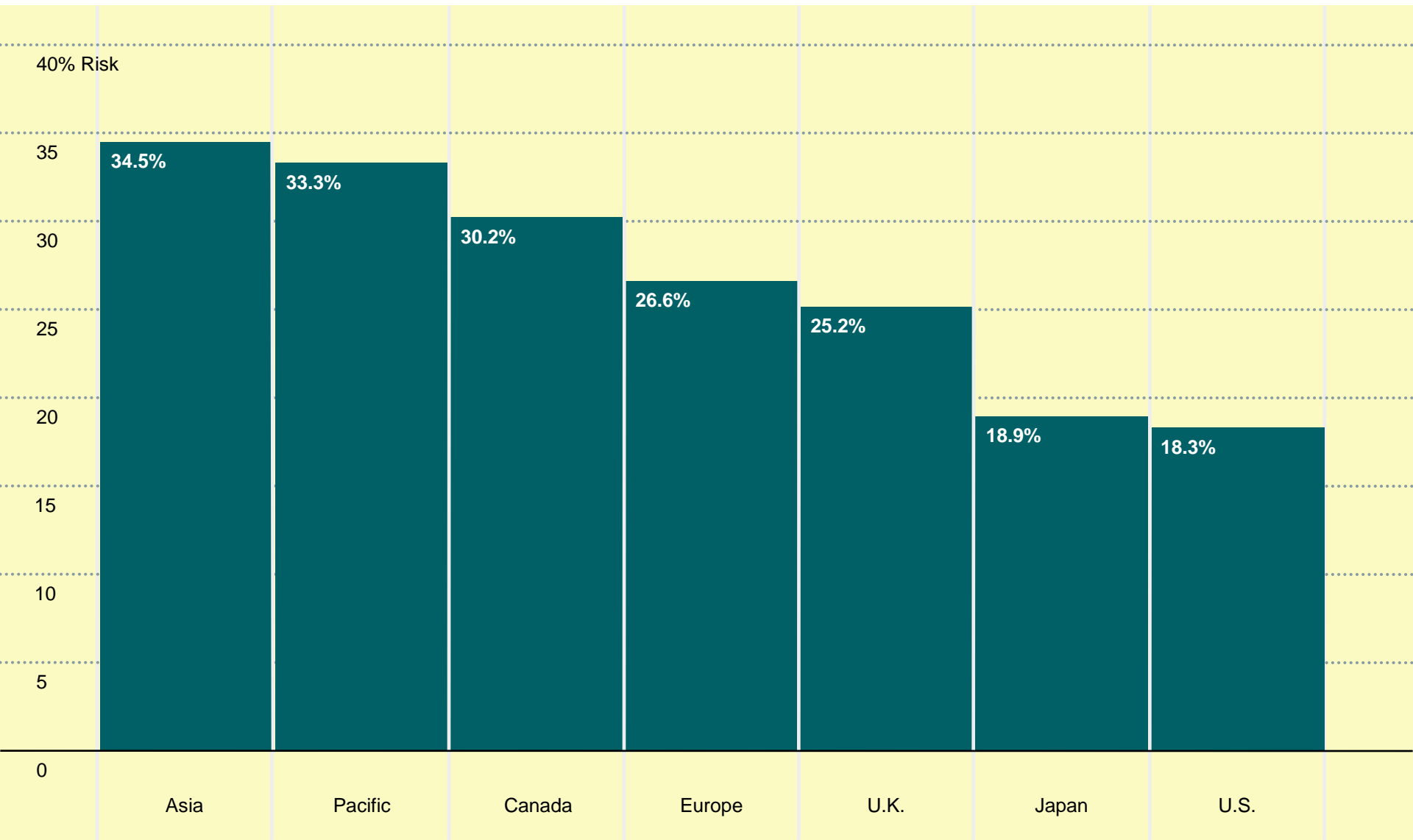
Past performance is no guarantee of future results. Each bar shows the range of annual total returns for each region over the period 1970–2012. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2013 Morningstar. All Rights Reserved. 3/1/2013





## Risk Level by Region

Annual standard deviation 2003–2012



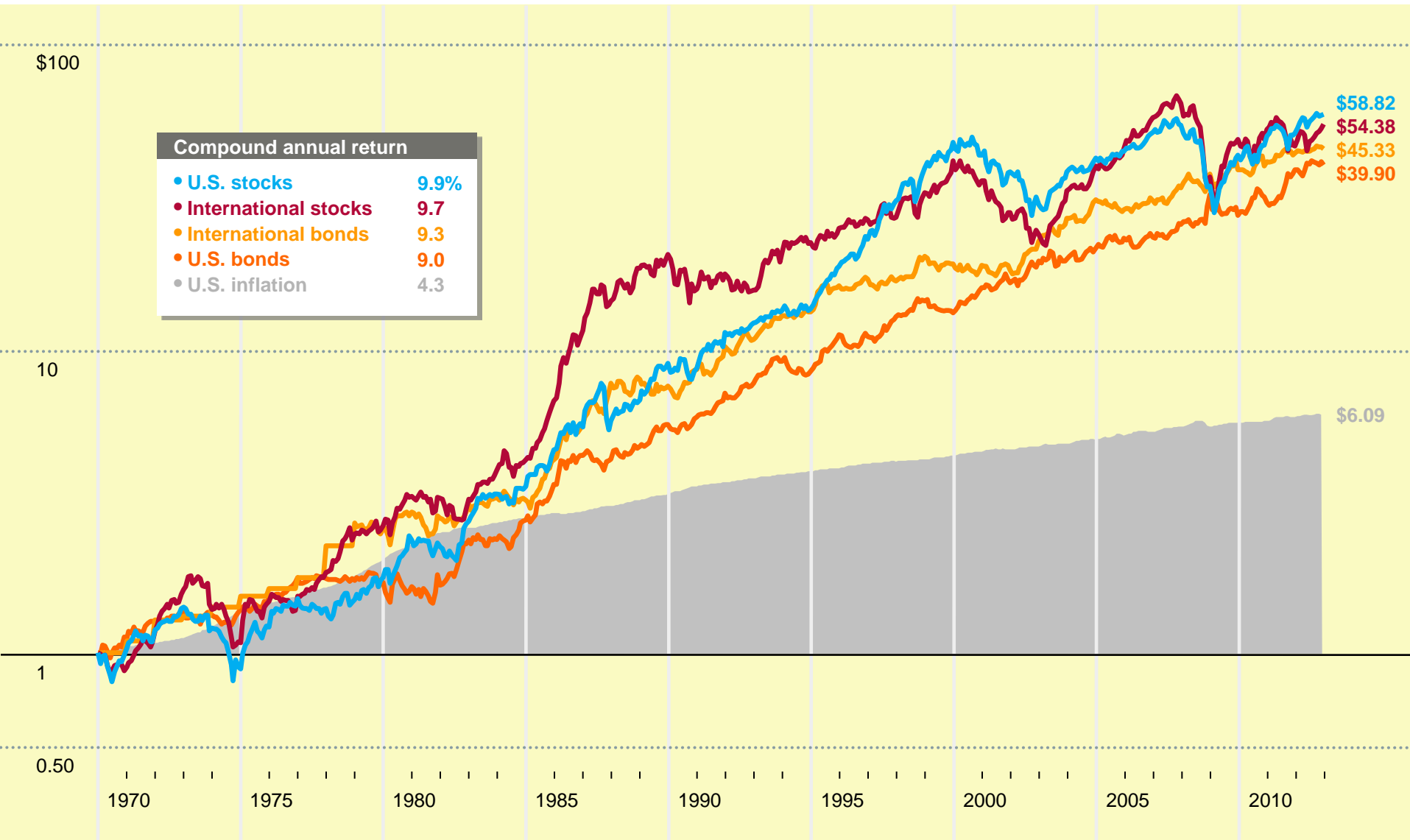
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# Global Investing

1970–2012























Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1970. All values in U.S. dollars. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2013 Morningstar. All Rights Reserved. 3/1/2013





# Growth Through Global Investing

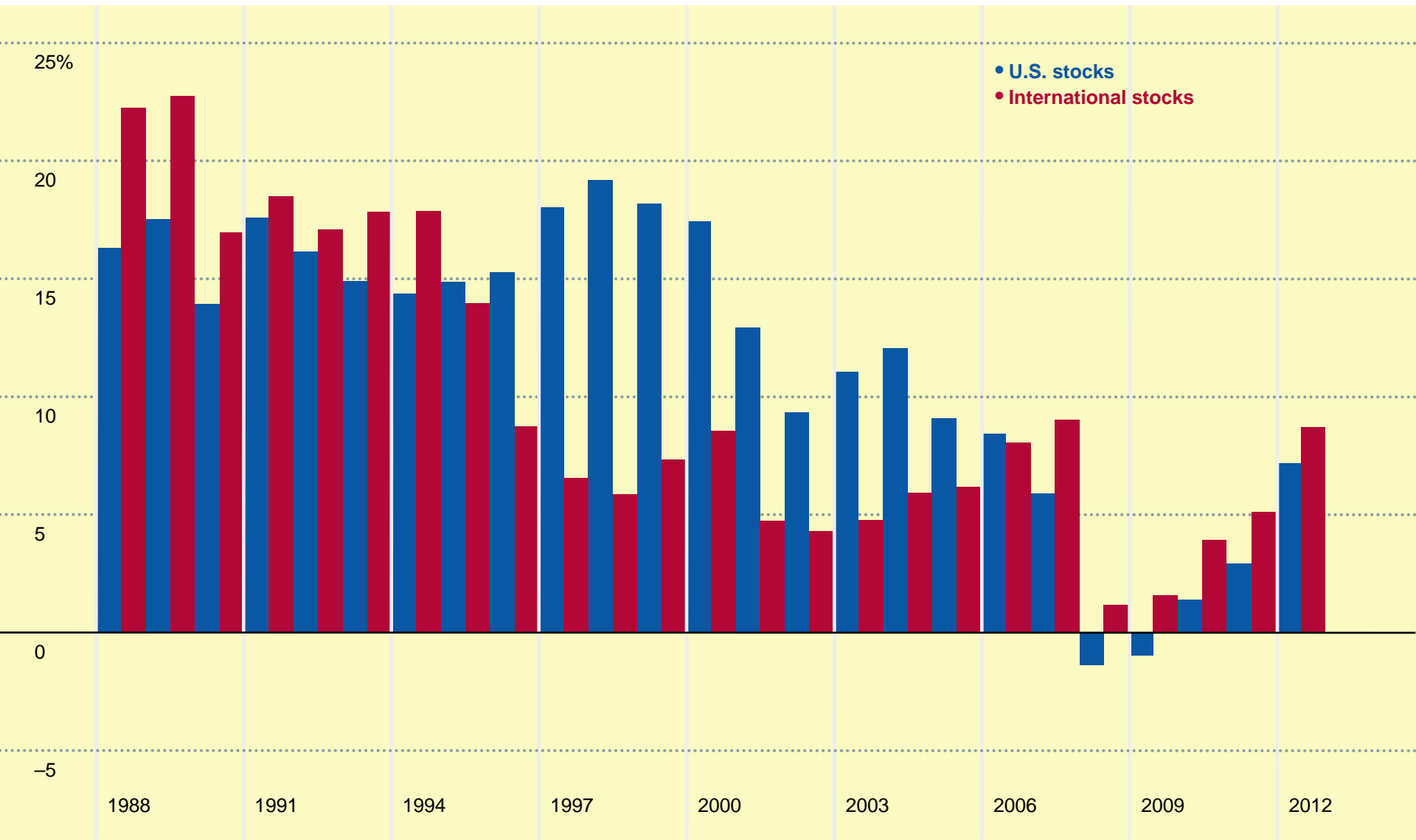
## Annual returns of top-performing developed global stock markets

|             |  |   |  |  |   |
|-------------|--|---|--|--|---|
| <b>2012</b> | Belgium 41%<br> | Germany 32%<br>    | Denmark 32%<br>      | Singapore 31%<br> | United States 16%<br>  |
| <b>2011</b> | Ireland 14%<br> | New Zealand 6%<br> | United States 2%<br> | UK -3%<br>        | United States 2%<br>   |
| <b>2010</b> | Sweden 35%<br>  | Denmark 31%<br>    | Hong Kong 23%<br>    | Singapore 22%<br> | United States 15%<br>  |
| <b>2009</b> | Norway 89%<br> | Australia 77%<br> | Singapore 74%<br>   | Sweden 66%<br>   | United States 26%<br> |



# Comparing U.S. and International Stock Performance

Average returns over 10-year holding periods



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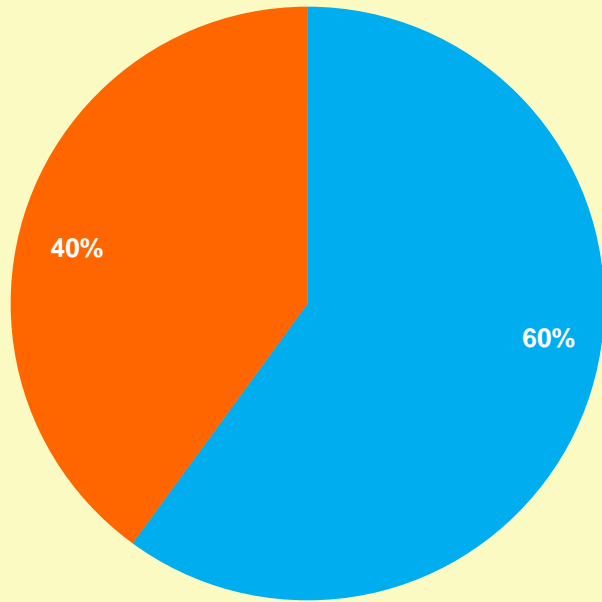




# Domestic Versus Global

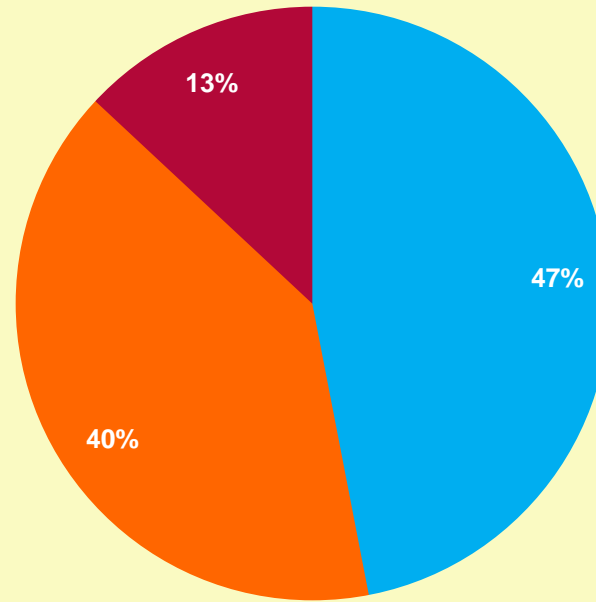
1970–2012

Domestic portfolio



|        |       |
|--------|-------|
| Return | 9.5%  |
| Risk   | 11.0% |

Global portfolio



|        |       |
|--------|-------|
| Return | 9.7%  |
| Risk   | 10.8% |

- U.S. stocks
- U.S. bonds
- International stocks



## Key Differences Between Developed and Emerging Markets

### Developed countries

- ▶ Established and stable economies with strong consumption activities and ample resources.
  - ▶ Ex. Australia, Canada, Japan, Germany, U.K., U.S.

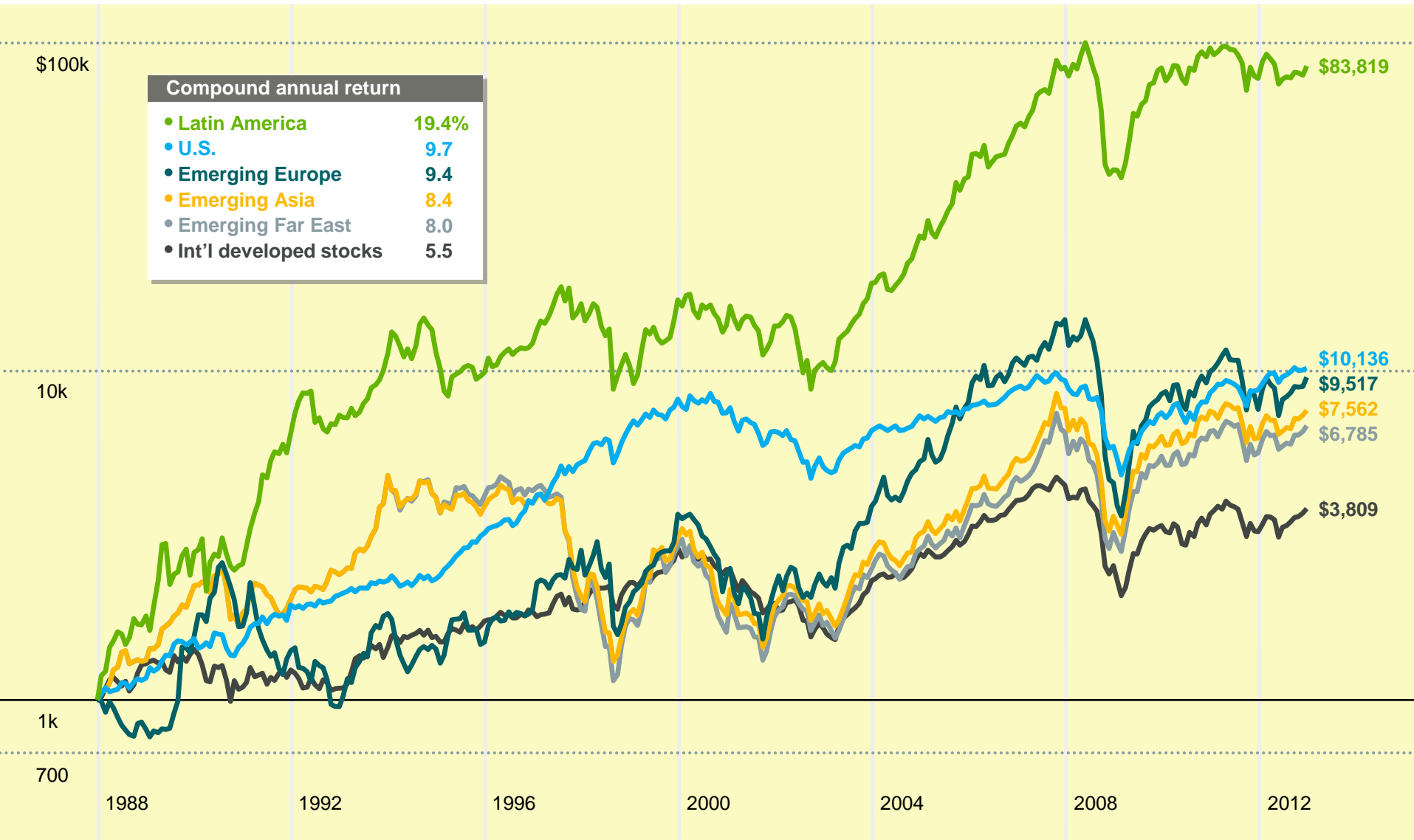
### Emerging countries

- ▶ Countries that are starting to participate globally by implementing reform programs and undergoing economic improvement.
  - ▶ Ex. Brazil, China, Mexico, Thailand, Russia, India



# Regional Performance

## Growth of \$1,000 from 1988–2012



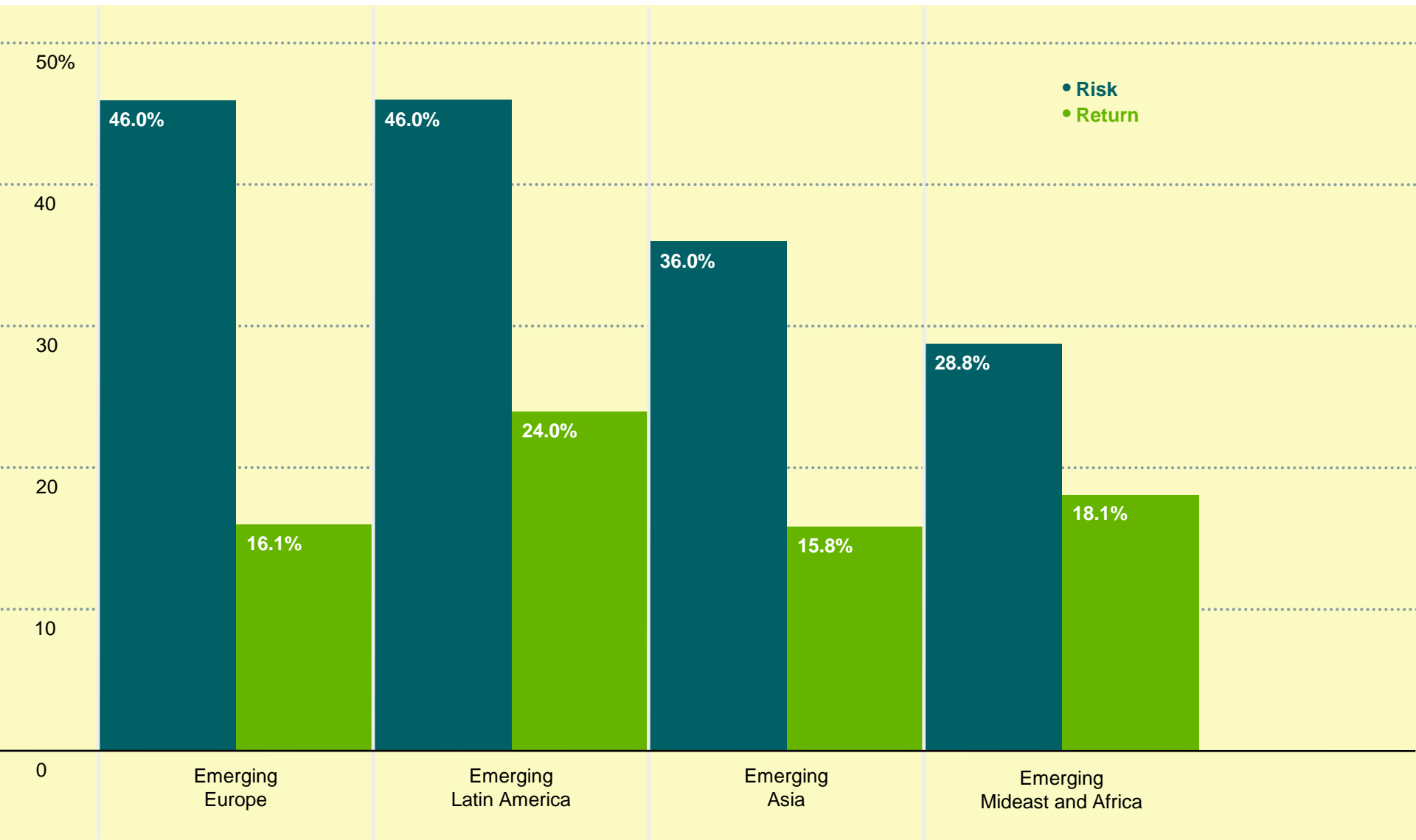
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# Emerging Market Performance

Risk and return 2003–2012



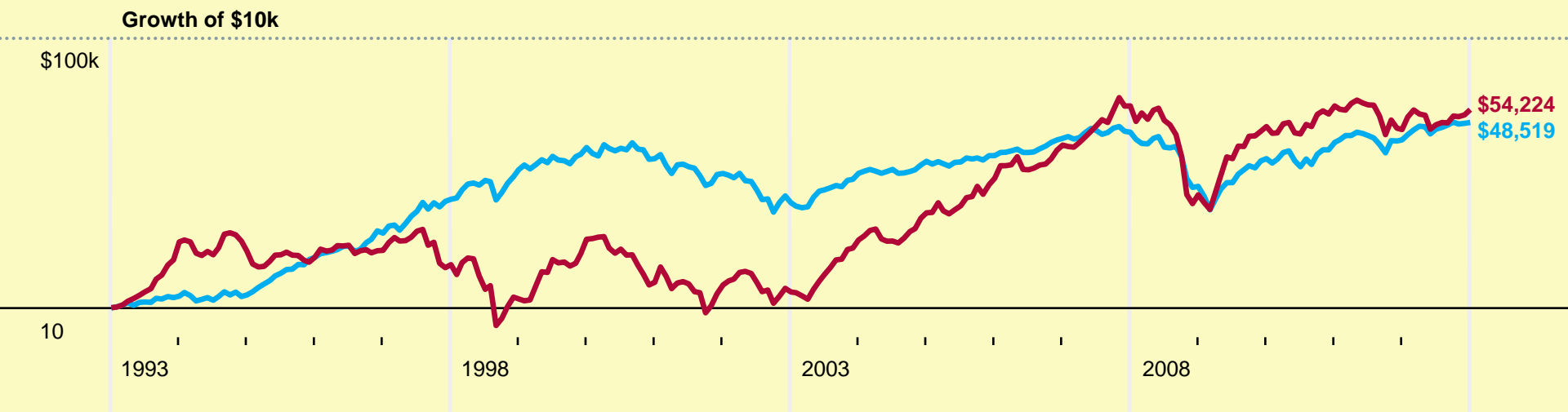
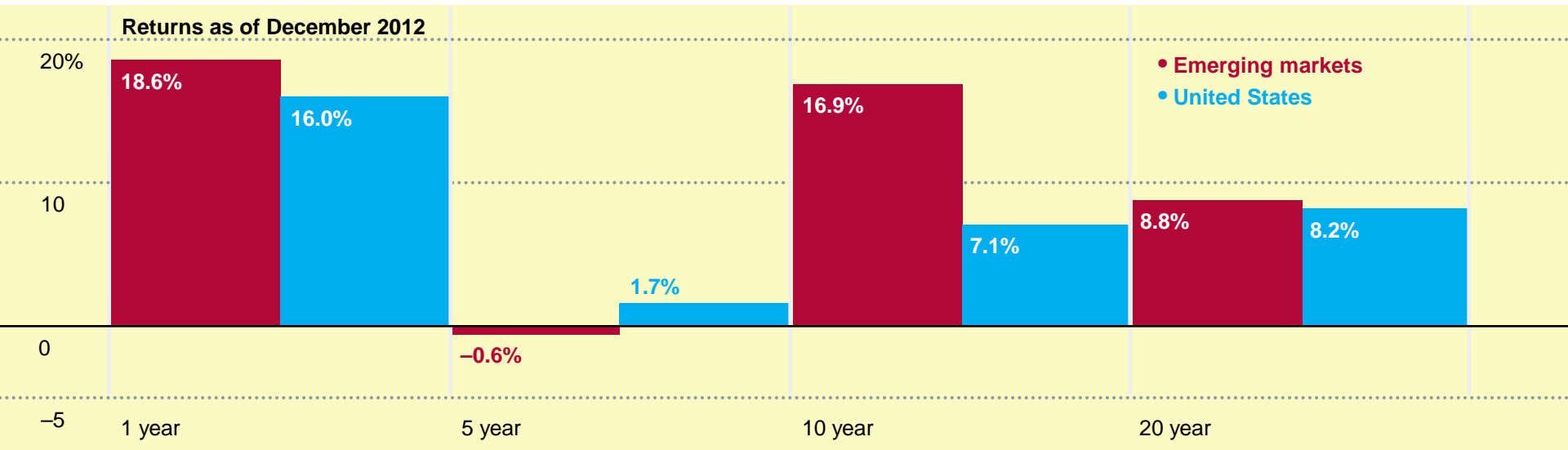
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# Undeveloped Opportunities

1993–2012



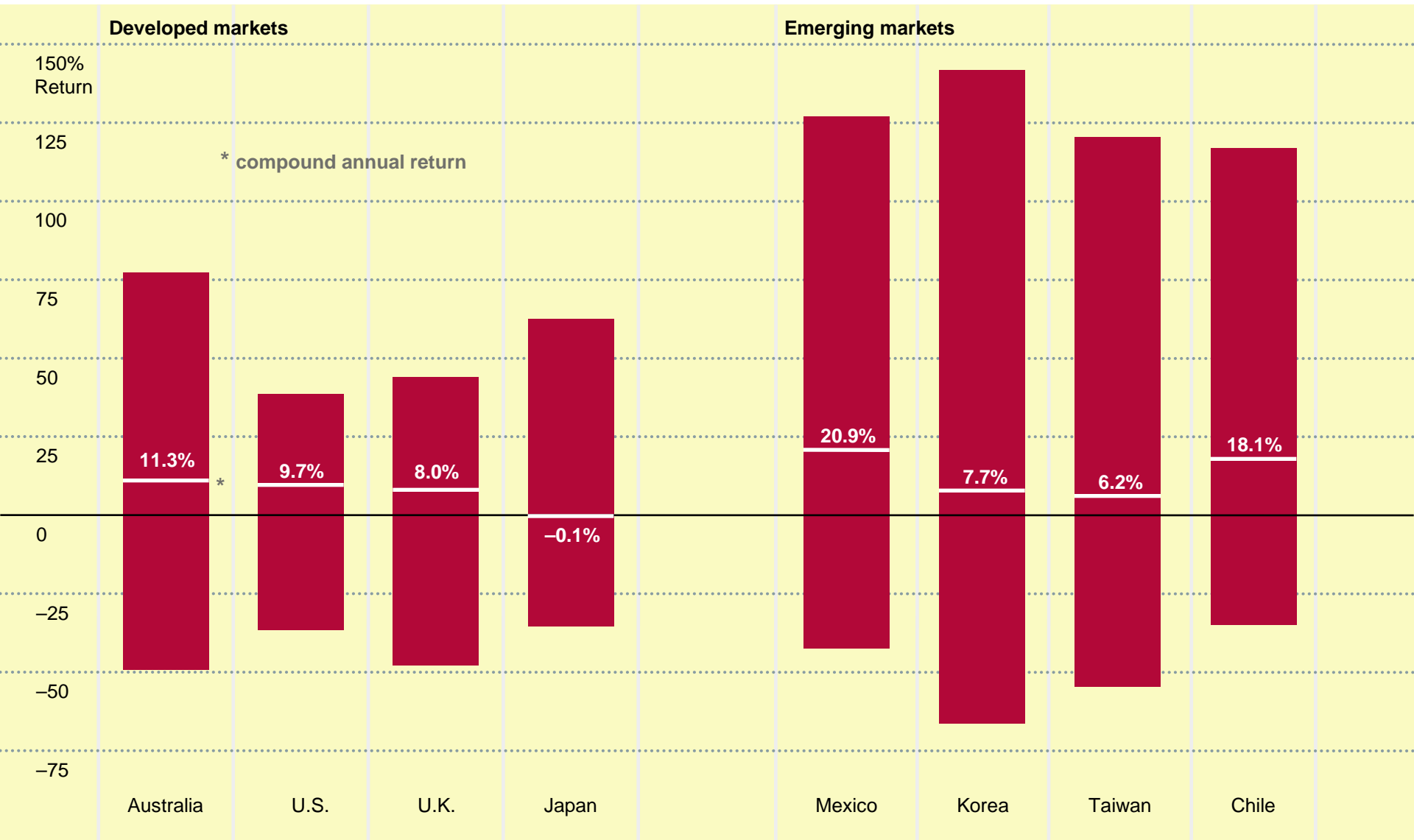
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# Emerging Markets Experience a Wider Range of Returns

1988–2012



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# Global Market Downturns and Recoveries

Periods of turbulence, 1988–2012

|                          |                      | Number of downturns | Greatest decline | Average decline | Average decline duration in months | Average recovery duration in months* |
|--------------------------|----------------------|---------------------|------------------|-----------------|------------------------------------|--------------------------------------|
| <b>Emerging markets</b>  | Asia                 | 3                   | -73%             | -57%            | 25                                 | 64                                   |
|                          | Europe               | 5                   | -75%             | -53%            | 15                                 | 27                                   |
|                          | Far East             | 3                   | -76%             | -58%            | 25                                 | 67                                   |
|                          | Latin America        | 7                   | -61%             | -37%            | 5                                  | 19                                   |
| <b>Developed markets</b> | International stocks | 3                   | -56%             | -45%            | 21                                 | 32                                   |

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. \*Calculations do not include recovery from the 2007–2009 downturn, as the recovery duration is still unknown for all regions except the U.S. © 2013 Morningstar. All Rights Reserved. 3/1/2013





# Correlations by Region

2003–2012

|                  |                      | Emerging |        |          |               | Developed   |                      |
|------------------|----------------------|----------|--------|----------|---------------|-------------|----------------------|
|                  |                      | Asia     | Europe | Far East | Latin America | U.S. stocks | International stocks |
| <b>Emerging</b>  | Asia                 | 1.00     |        |          |               |             |                      |
|                  | Europe               | 0.79     | 1.00   |          |               |             |                      |
|                  | Far East             | 1.00     | 0.79   | 1.00     |               |             |                      |
|                  | Latin America        | 0.83     | 0.86   | 0.82     | 1.00          |             |                      |
| <b>Developed</b> | U.S. stocks          | 0.77     | 0.74   | 0.77     | 0.77          | 1.00        |                      |
|                  | International stocks | 0.85     | 0.85   | 0.84     | 0.84          | 0.90        | 1.00                 |

Past performance is no guarantee of future results. Correlation ranges from -1 to 1, with -1 indicating that the returns move perfectly opposite to one another, 0 indicating no relationship, and 1 indicating that the asset classes react exactly the same. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2013 Morningstar. All Rights Reserved. 3/1/2013

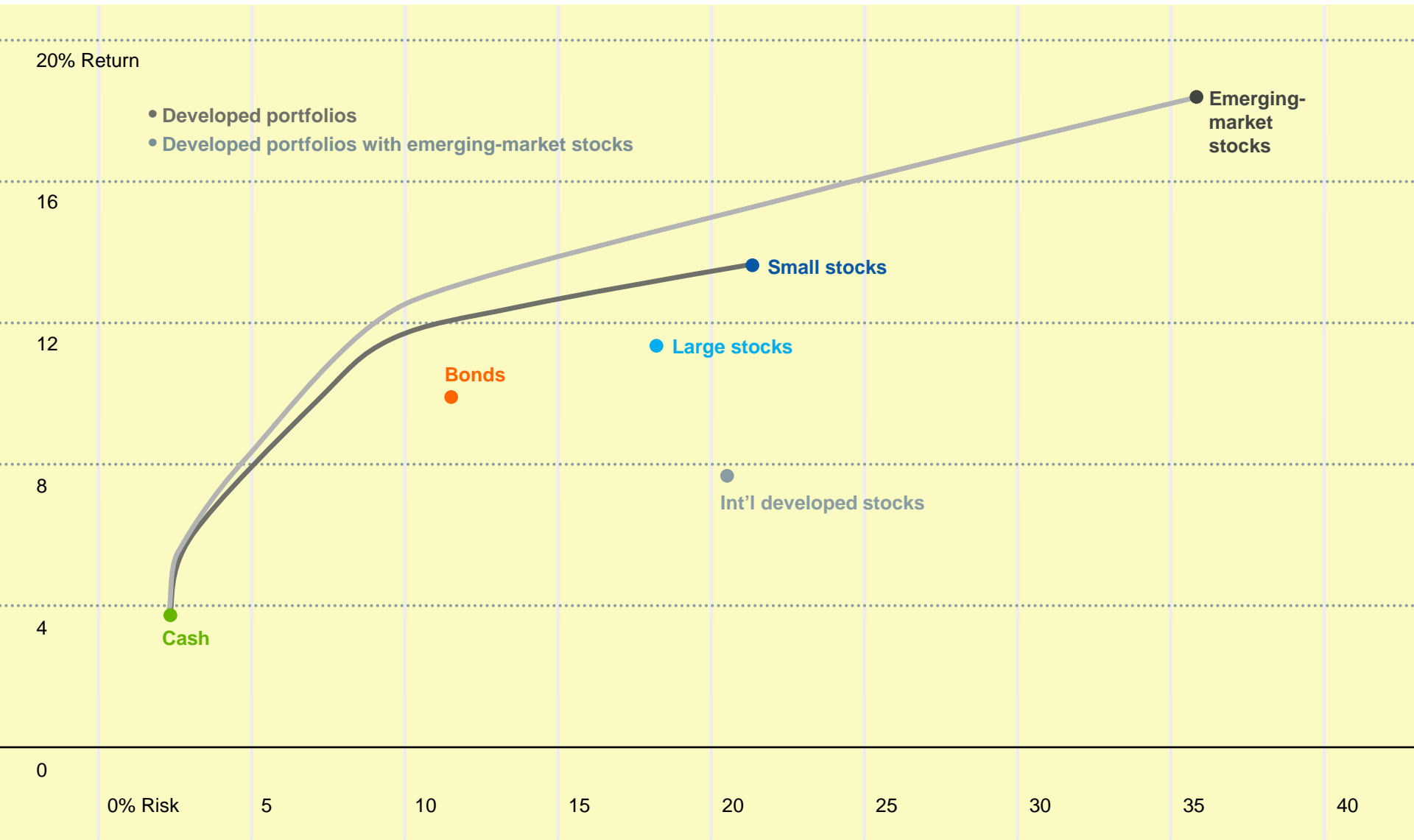






# Emerging Markets Can Improve Developed Portfolios

1988–2012



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# Global Winners and Losers

1998–2012

|                 | 1998  | 1999 | 2000  | 2001  | 2002  | 2003 | 2004 | 2005 | 2006 | 2007 | 2008  | 2009  | 2010 | 2011  | 2012 |  |
|-----------------|-------|------|-------|-------|-------|------|------|------|------|------|-------|-------|------|-------|------|--|
| Highest returns | 28.6% | 66.4 | 21.5  | 3.7   | 24.8  | 56.3 | 26.0 | 34.5 | 32.6 | 39.8 | 25.9  | 79.0  | 19.2 | 28.2  | 18.6 |  |
|                 | 20.3  | 27.3 | 15.7  | -0.8  | 17.8  | 39.2 | 20.7 | 14.0 | 26.9 | 11.6 | 10.3  | 32.5  | 15.1 | 9.2   | 18.0 |  |
|                 | 20.2  | 26.0 | -1.3  | -2.4  | 14.2  | 28.8 | 14.6 | 11.9 | 15.8 | 10.8 | -9.7  | 26.5  | 11.8 | 6.9   | 17.9 |  |
|                 | 13.1  | 21.0 | -9.1  | -3.0  | -6.0  | 28.7 | 11.8 | 7.8  | 10.5 | 9.9  | -37.0 | 25.9  | 10.1 | 2.1   | 16.0 |  |
|                 | -14.3 | -5.3 | -14.0 | -11.9 | -15.7 | 18.7 | 10.9 | 4.9  | 6.8  | 6.5  | -43.1 | 4.2   | 8.2  | -11.7 | 3.5  |  |
| Lowest returns  | -25.3 | -9.0 | -30.6 | -21.2 | -22.1 | 1.4  | 8.5  | -7.3 | 1.2  | 5.5  | -53.2 | -14.9 | 5.8  | -18.2 | 3.3  |  |

• U.S. stocks
• U.S. bonds
• International stocks
• International bonds
• Emerging-market stocks
• Emerging-market bonds

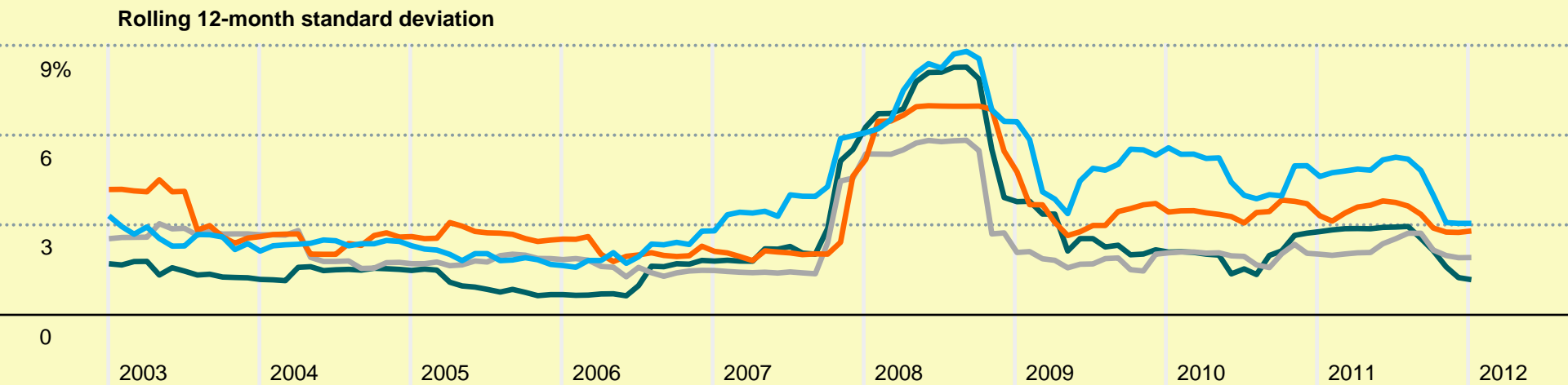
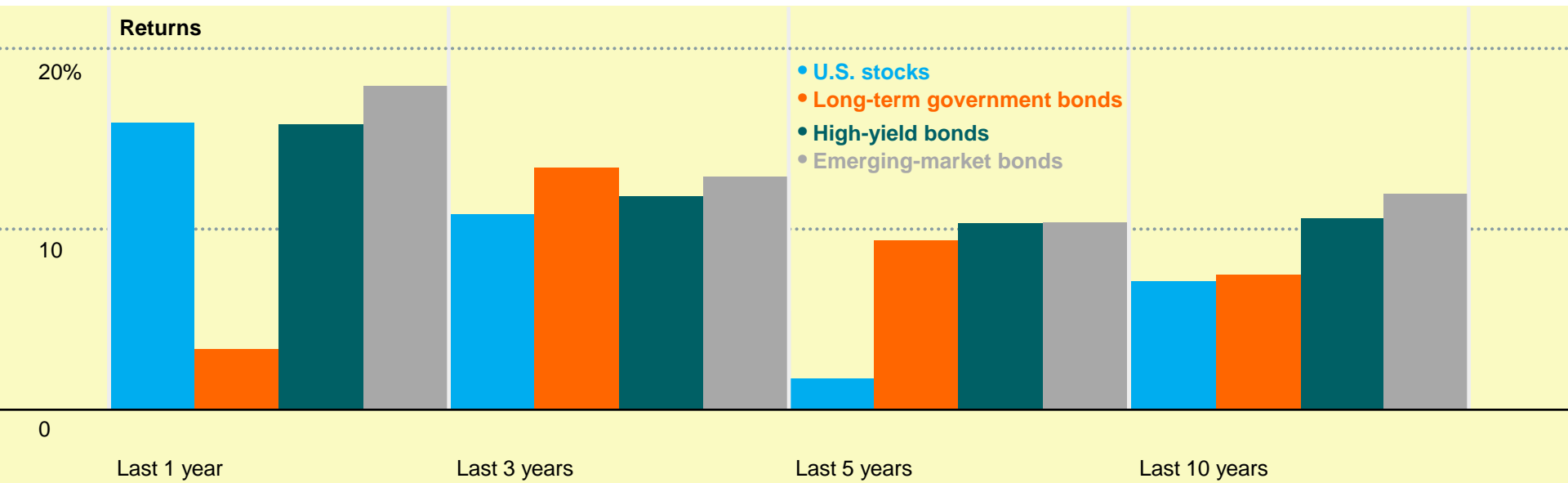
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# The Case for Emerging-Market Bonds

2003–2012



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