



Bradesco

Asset Management

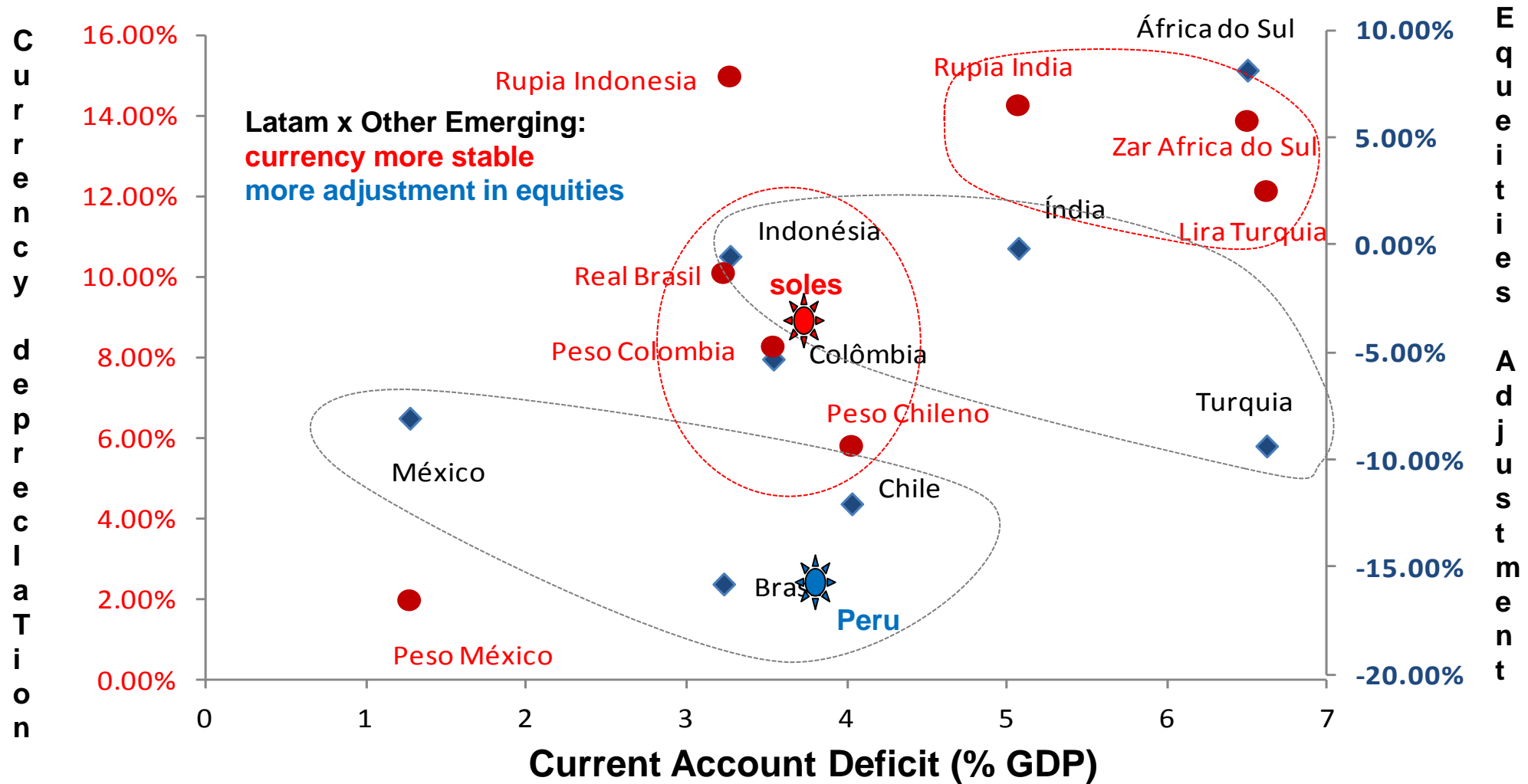
LATAM and EMERGING MARKETS, opportunities in changing times

PERÚ  **CAPITAL
MARKETS
DAY 2013**

JOAQUIM LEVY
Lima - September, 2013

2013: a year of transition, with impact on emerging markets

Currencies and Equity Indexes* – Jan-Sept 2013



* Equity indexes in local currency

So... should we be very worried about Latam or Brazil?



Not so much... if we anticipate and understand the markets



The Global Crisis and Latin America Outperformance or Short-Lived Decoupling?

Economic Outlook: How Is Latin American Region Facing In the Global Context and How Much Has the Euro and US Crisis Impacted the Regional Outlook?

Fund Forum Latam
November 2012

Fernando Honorato Barbosa
Chief Economist
Executive General Manager

✓ Swings in prices are natural in public markets and in funds with daily NAV – it may be the cost of transparency

BRAM presentation and cover of a major business newspaper in Brazil... a year ago!

Have we all been mistaken about Brazil?



The Economist, 12/NOV/2009

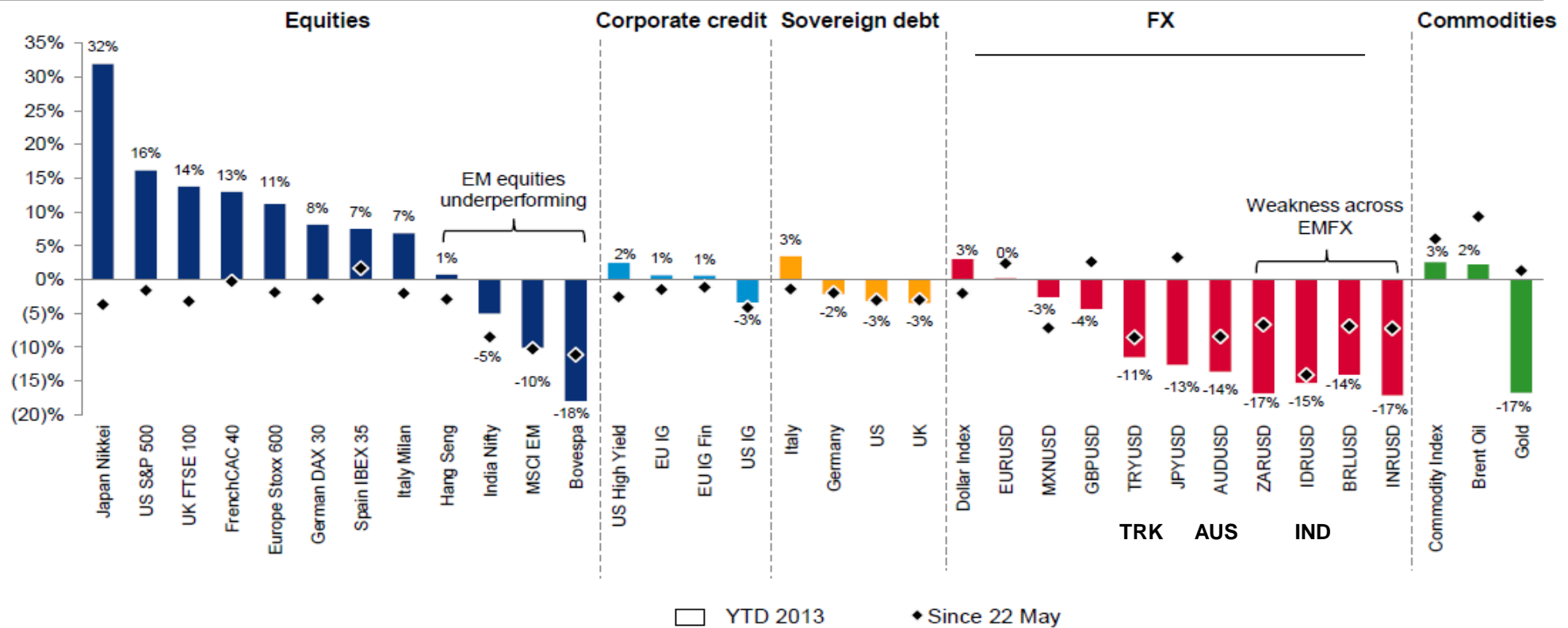


Valor Econômico, 20/JUL/2012



Realignment affected all asset prices

Total returns YTD 2013, change since 22 May



* May 22 is the first trading day after Bernanke announced potential tapering
 Note: Total return accounts for both income (interest or dividends) and capital appreciation.
 Source: Bloomberg Finance LP, Deutsche Bank Research. Prices as of 02 Sep 2013, 9:00 GMT

Market performance of LATAM provides cushions for the economy

		Stock Exchange			Currency Value (in USD)*		Change in Market Cap	
		Market Cap	Equity Index (in USD)					
		30/08/13 (USD Mn)	Dec-07	Jan-03	Dec-07	Jan-03	Dec-07	Jan-03
Latam	Brazil	920.625	-41,6%	235,2%	-25,4%	20,2%	-34,2%	370,3%
	Mexico	474.960	9,3%	304,6%	-18,5%	-17,7%	19,2%	260,5%
	Chile	272.244	24,7%	196,5%	-2,4%	22,7%	30,8%	235,2%
	Colombia	222.947	69,3%	1018,3%	4,4%	49,0%	146,1%	2337,9%
	Peru	78.716	1,5%	877,1%	6,7%	23,6%	-2,0%	382,9%
CEEMEA	Russia	541.740	-46,9%	161,8%	-26,1%	-10,1%	-64,2%	145,6%
	South Africa	441.435	-2,5%	190,6%	-33,2%	-32,9%	-3,2%	195,0%
	Turkey	232.490	-30,9%	208,4%	-42,6%	-27,2%	-17,5%	322,5%
	Poland	178.984	-33,5%	195,4%	-23,9%	25,0%	-14,1%	430,1%
	Bulgaria	5.611	-77,3%	11,3%	-9,6%	13,3%	-70,1%	495,9%
Asia	Hong Kong	3.229.861	-21,4%	78,6%	0,6%	0,1%	-9,1%	260,0%
	China	3.159.983	-52,5%	110,6%	19,3%	35,2%	-17,9%	686,4%
	Australia	1.264.070	-18,6%	95,5%	1,7%	25,6%	-10,6%	154,6%
	India	905.279	-45,7%	157,9%	-40,0%	-31,0%	-50,1%	313,6%
	Taiwan	846.714	2,1%	50,6%	8,4%	13,5%	20,8%	108,6%
	Indonesia	361.652	27,1%	403,8%	-16,0%	-24,0%	76,6%	654,4%
	Philippines	203.601	55,5%	439,9%	-7,5%	24,3%	99,7%	810,1%

(*) (-) depreciation / (+) appreciation

Source: Bloomberg

Recent adjustments are healthy and help avoid the building up of distortions

“Frontier” markets rose more than more mature ones in the wake of QE1&2



Stock Exchange indexes 2000-2013

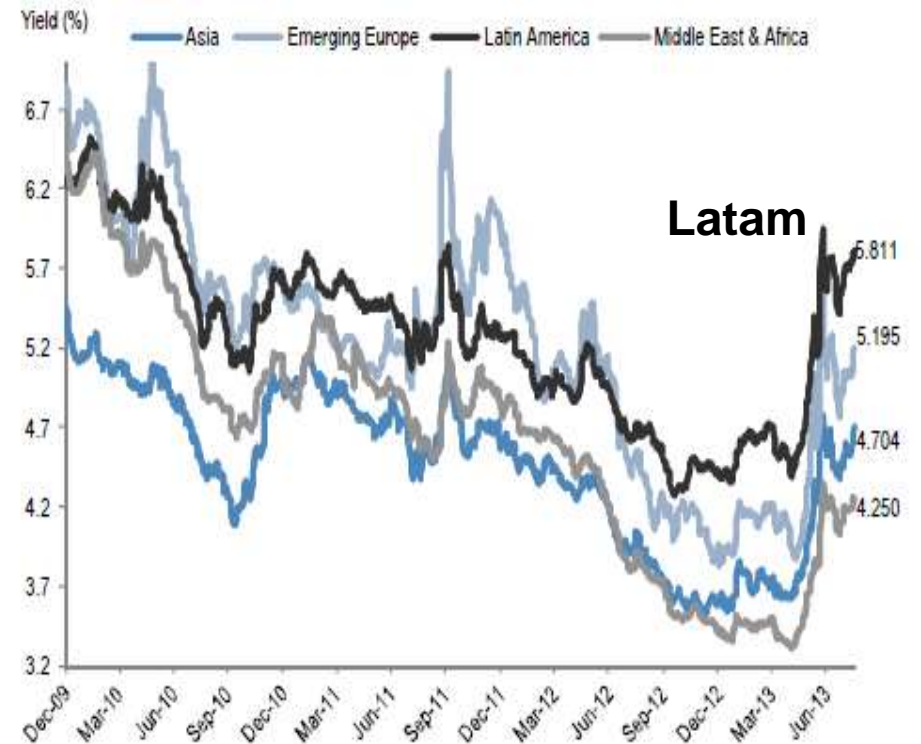


When bonds adjust, those with higher yields may recover quicker

Bonds' Performance 2007-2013

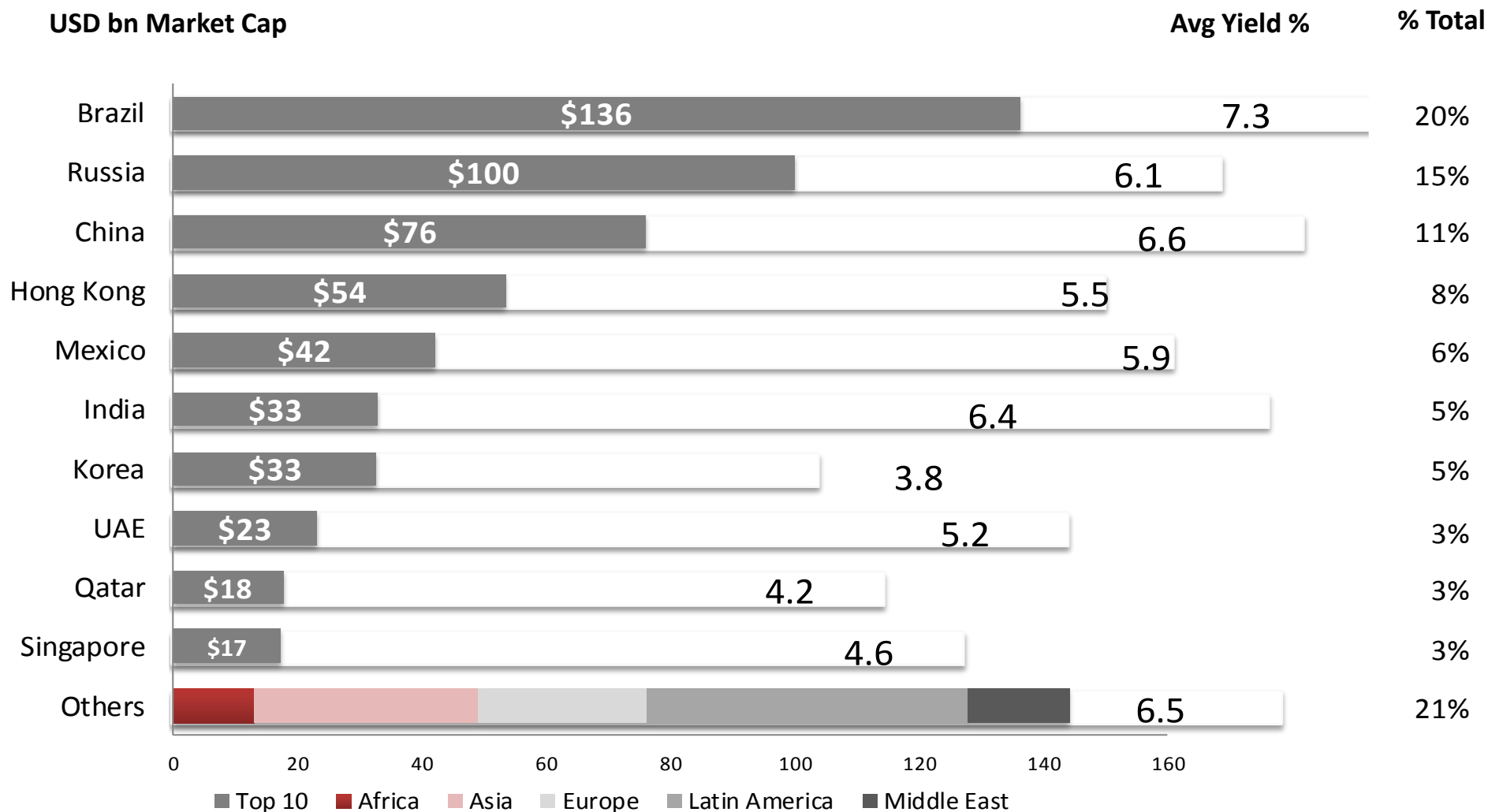
	CEMBI	EMBI
	Corporate	Sovereign
South Africa	45,52%	48,94%
Latin America	44,51%	51,16%
Asia	57,60%	48,73%
EM Europe	61,38%	50,22%
Treasury (7-10 y)	54,00%	

CEMBI investment grade yields by region (%)



Source: Bloomberg, JP Morgan

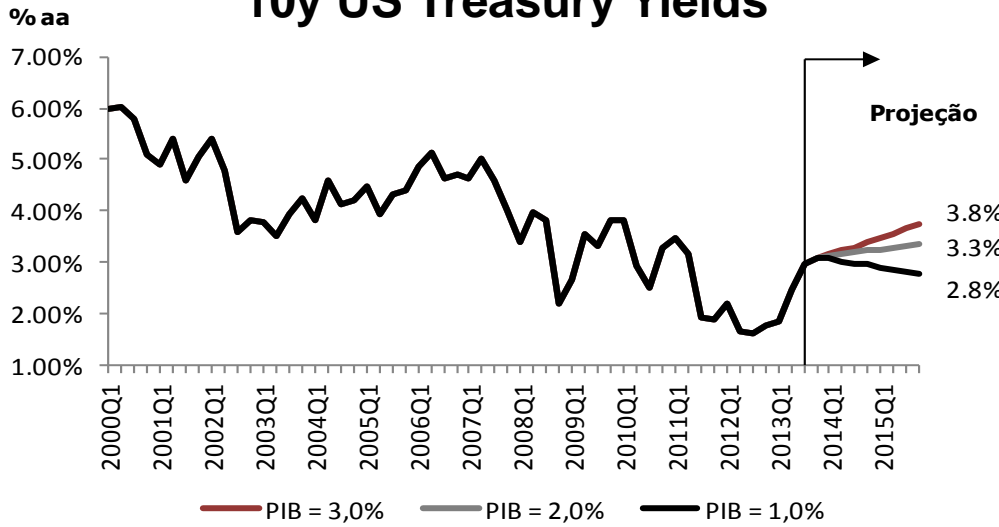
Latam USD Bonds have deep markets and comprise strong companies



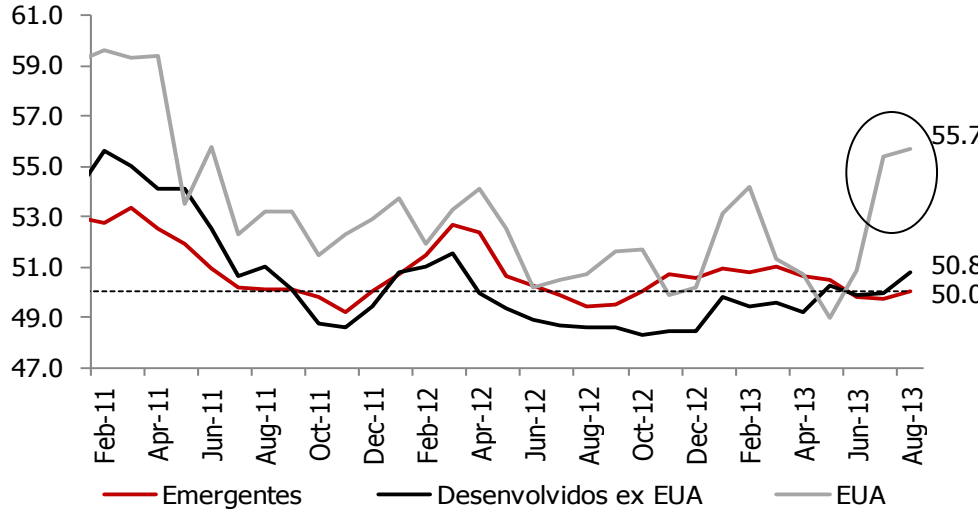
Source: JP Morgan CEMBI, as of 30th August, 2013

US recovery: the engine beneath the changes in market conditions

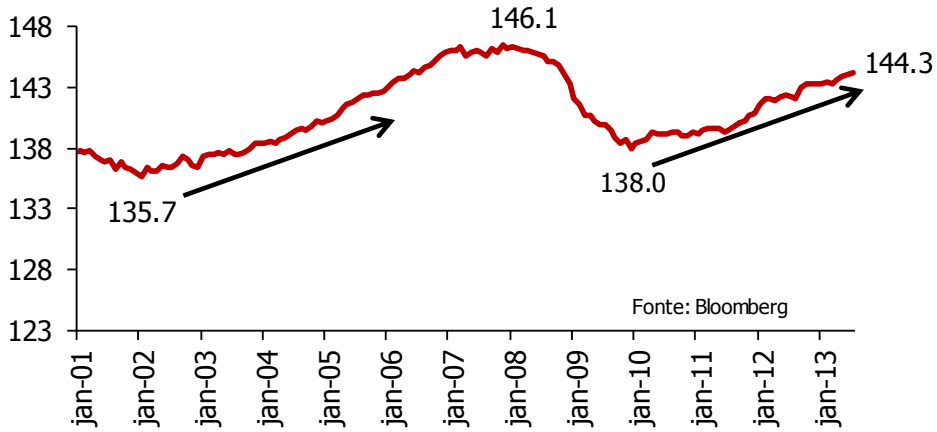
10y US Treasury Yields



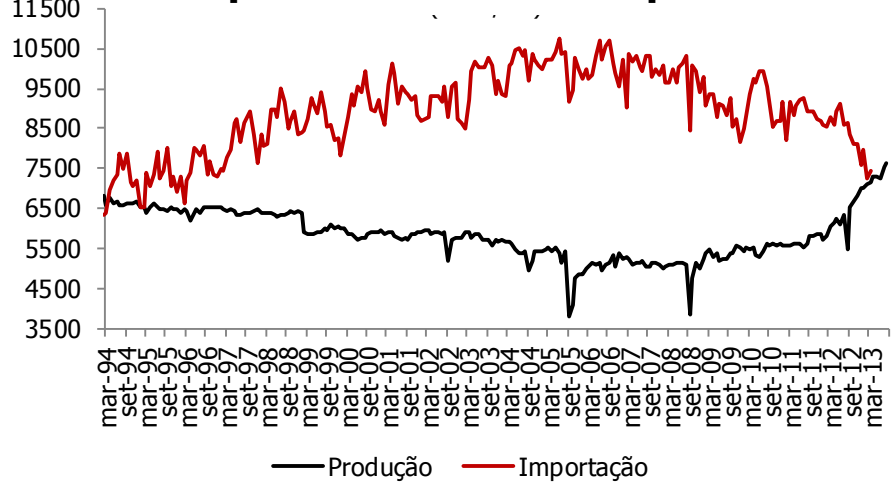
PMI US, Developed & Emerging



Million of Jobs in the US



Oil production and imports



How does LATAM fare against other emerging markets?

	Median Age Population (2010)	Fiscal Deficit (% GDP) - 2012	Current Account (% GDP) - Latest Data	GDP (%) - 2012	GDP (%) - 2013	CPI (%) - Latest Data	Benchmark Interest Rates - Latest Data	Government Expenditures (% GDP) - 2012
* Brazil	29,8	-2,2	-3,2	0,9	2,3	6,1	9,0	38,6
Colombia	28,6	-1,9	-3,5	4,0	4,1	2,3	3,3	18,0
Chile	33,0	0,6	-4,0	5,6	4,4	2,2	5,0	21,4
Mexico	27,7	-2,4	-1,3	3,9	2,3	3,5	3,8	20,0
Peru	26,7	1,9	-3,5	6,3	5,5	3,3	4,3	19,7
* China	36,3	-1,8	2,4	7,8	7,5	2,6	6,0	24,4
* India	26,7	-7,2	-5,1	5,0	5,1	9,5	7,5	28,3
Indonesia	28,9	-1,8	-3,3	6,2	5,8	8,8	7,3	18,0
Poland	39,1	-3,9	-2,8	1,9	1,1	1,1	2,5	42,3
* Russia	38,8	0,4	3,0	3,4	2,3	6,5	8,3	36,5
Turkey	29,2	-2,0	-6,6	2,2	3,6	8,2	4,5	39,2
South Africa	25,5	-4,9	-6,5	2,5	2,2	6,4	5,0	38,5

Sources: The Economist, Bloomberg, S&P

LATAM stands out for:

Young population

Good Fiscal

Low inflation

Current Account in line

Moderate Growth

Small public sector

Debt in LATAM is as good as elsewhere (or better)

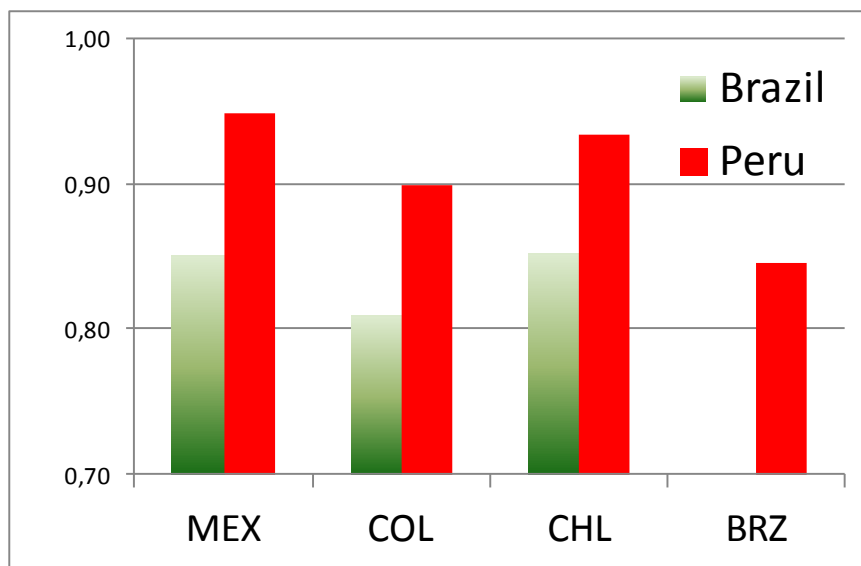
	Latam					CEEMEA				Ásia		
	Colombia	Mexico	Brazil	Peru	Chile	Turkey	Russia	S. Africa	Poland	Indonesia	Índia	China
Rating (S&P)	BBB	BBB	BBB	BBB+	AA-	BB+	BBB	BBB	A-	BB+	BBB-	AA-
Public Sector Ext. Debt / GDP	12,6	10,7	* 5,0	13,2	9,4	13,1	13,5	18,7	30,3	14,4	6,1	-
Public Sector Ext. Debt / Reserves	132,9	82,0	29,9	43,1	59,9	104,9	57,8	174,0	155,4	111,8	43,8	-
External Debt (% Reserves)	225,2	227,1	121,7	95,7	279,8	342,8	133,5	333,9	363,0	222,7	148,1	22,3
External Debt (% GDP)	21,3	29,6	20,4	29,3	43,9	42,7	31,0	35,8	70,8	28,6	20,6	9,0
Short-Term Ext. Debt (% of total ext. debt)	14,2	21,0	7,4	14,6	19,4	29,3	13,0	20,3	19,2	17,8	23,5	73,4
Govt Debt (% GDP)	32,2	28,7	58,7	19,8	11,9	36,1	10,8	40,1	55,6	23,6	68,3	29,4

Sources: S&P and Moody's (2012)

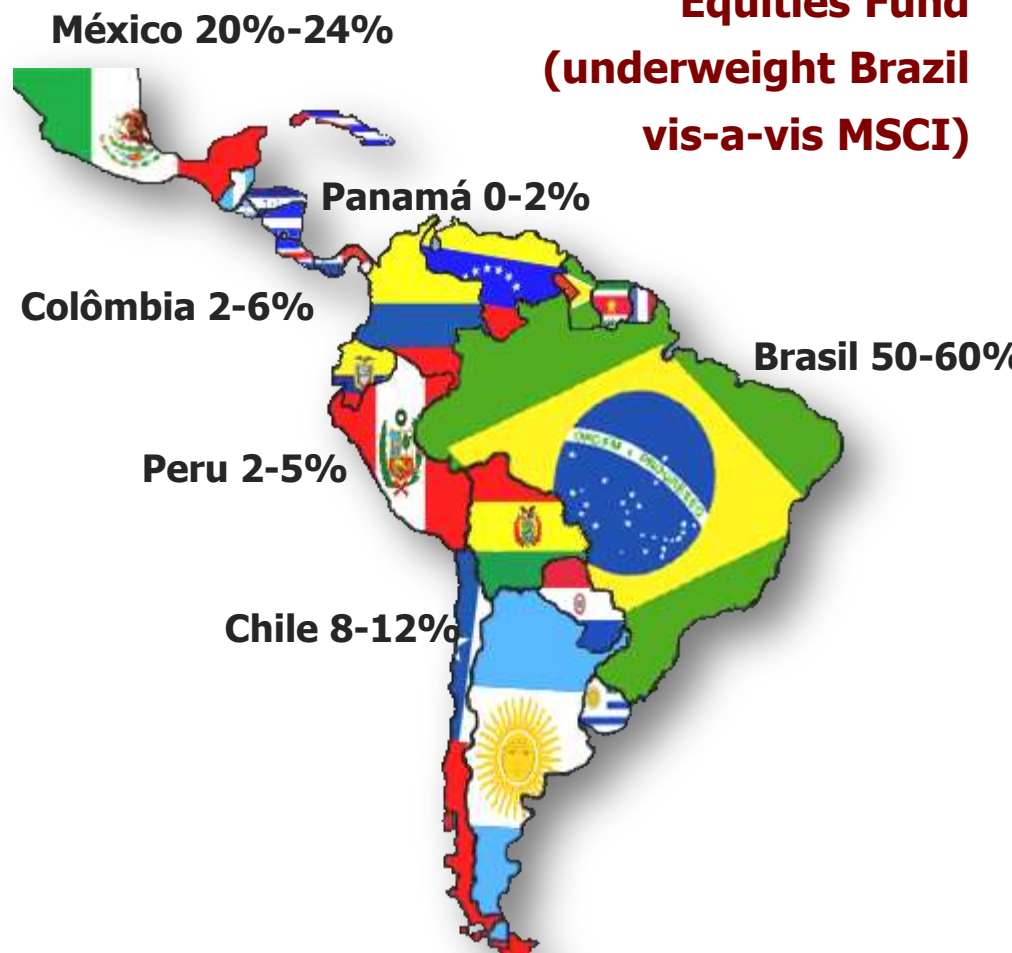
Democracy and Commitment to the Market are transforming the Region

- ✓ **Latam: diversity in commodities, manufacturing and services sectors**
- ✓ **Pacific Alliance/MILA and BRAIN can help providing liquidity and a common platform, ATTRACTING TRADING TO THE REGION**
- ✓ **A "LATAM passport" would help balance market weights across the region**

Correlation of Stock Prices 2003-2013



Typical allocation of BRAM's LATAM Equities Fund (underweight Brazil vis-a-vis MSCI)



Brazil from the perspective of a USD 120+ billion AUM Asset Manager

Conventional Perception	Reality
A Commodity-based Economy	Service-based Economy
Highly dependent on Exports to China	Exports are 12.5% of GDP, and exports to China account for 18% of exports (< 2.5% of GDP)
Fiscal fragility	Primary surplus, total public debt < 60% of GDP (including subnational debt), international reserves of US\$300+ billion
Credit / Property Bubble	Total bank credit/GDP of 52% x 100%+ in OECD countries NPLs at 7% for households and 4% for Corporates. Stock of mortgage loans < 5 % of GDP Banks' external liabilities account for 6% of GDP
Low-investment country	Above-average investment in machinery & equipment, a gap in infra-structure and housing, being filled by the private sector through concessions and more corporate bonds ("12.431")
Lack of Savings	First-rate Pension Plans and individual savings schemes (PGBL)
Negative Sentiment towards Emerging Markets	Overall improved sentiment towards global equities can offer attractive buy opportunities

A sample of Brazilian Pension Funds

MULTINATIONALS



AES	INTERNATIONAL
ARCELOR	PAPER
AVON	JOHNSON &
BASF	JOHNSON
BAYER	MERCEDES BENZ
BOSCH	METSO
CARGILL	MONSANTO
CUMMINS	NOVARTIS
DE LAGE LANDEN	PHILIPS
EMBRATEL	SANOFI
ENERGIAS DO	SAINT GOBAIN
BRASIL	SCANIA
ERICSSON	TOYOTA
EXXONMOBIL	T-SYSTEMS
FORD	TELEFONICA
GEBSA-PREV	TRACTEBEL
GOODYEAR	
IAJA - INSTITUTO	
ADVENTISTA	
IBM	

NATIONAL PRIVATE



ABRIL	PROMON
ALPARGATAS	RANDOM
ANDIMA	REDE
BASES	SEBRAE
BM&F	TRAMONTINA
CABEC	ULTRA
CAPEMI	VALIA
CAPOF	VOTORANTIM
COSIPA	UNICRED
C&A	WEG
EPISCOPAL HURCH	
FGV	
GRUPO COSAN	
INDUSPREV	
IPIRANGA	
MULTIPENSIONS	
MULTIPREV	
OABPREV-MG	
OABPREV-RS	
ODEBRECHT	

NATIONAL PUBLIC



AGROS	ELETROCEEE
ALBAPREV	FABASA
ALPHA	FUNCEF
BACEN	FURNAS
BANESES	FUSAN
BNDES	FUSESC
BRB	IBGE
CAPEF	INFRAPREV
CAPESESP	ITAIPÚ
CELOS	METRUS
CEMIG	PETROS
CESP	PORTUS
CIFRÃO Brazilian	POUPREV
Mint)	PREVHAB
COHAPAR	PREVIRB
COMPREV	PREVDATA
CONAB	REFER
COPEL	SÃO FRANCISCO
CORSAN	SARAH HOSPITALS
DER-MG	SERCOMTEL
ECONOMUS	SILOS RS
ELETROBRÁS	TECHNOS

Brazil from the perspective of a Mid-Small equities portfolio

A broad universe that offers growth and defensive stock picking opportunities.

Diversification

Typical Holdings of Mid-Small Fund

	Sector	Relevant Market	
		Domestic	Foreign
Suzano	Cellulose		yes
TIM	Telco	yes	
Ananguera	Education	yes	
Gerdau	Steel	yes	yes
Cosan	Energy	yes	yes
Mills	Engineering	yes	
BB Seguridade	Financials	yes	
Hypermarcas	Retail/Pharma	yes	
Marcopolo	Mechanical	yes	yes
Embraer	Aerospace	yes	yes

Potential gains from market consolidation

Market share of top Brazil and US companies

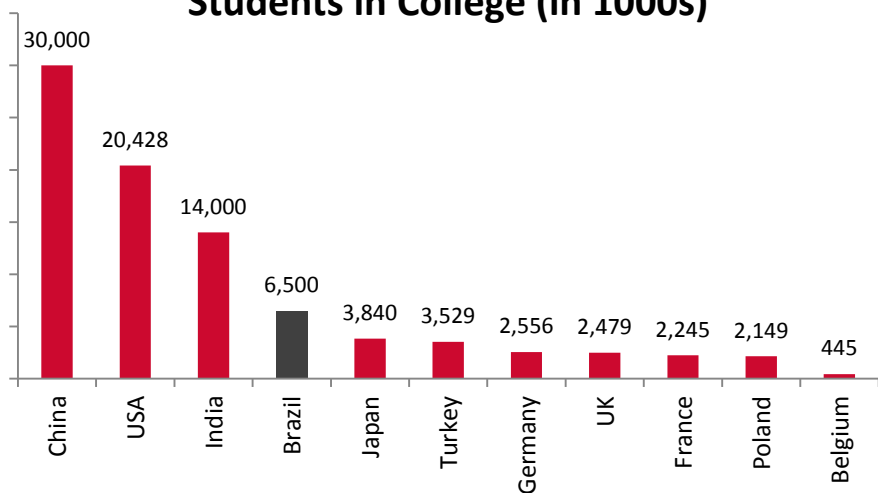
Sector	Rank	Market Share %	
		Brazil	USA
Healthcare Plans	Top 10	33	56
Shopping Malls	Top 3	22	56
Supermarkets	Top 5	36	62
Commercial Properties	Top 10	9	n/a
Car Rental	Top 4	30	94
Private Education	Top 3	22	n/a

Potential upside from “technical” pressure

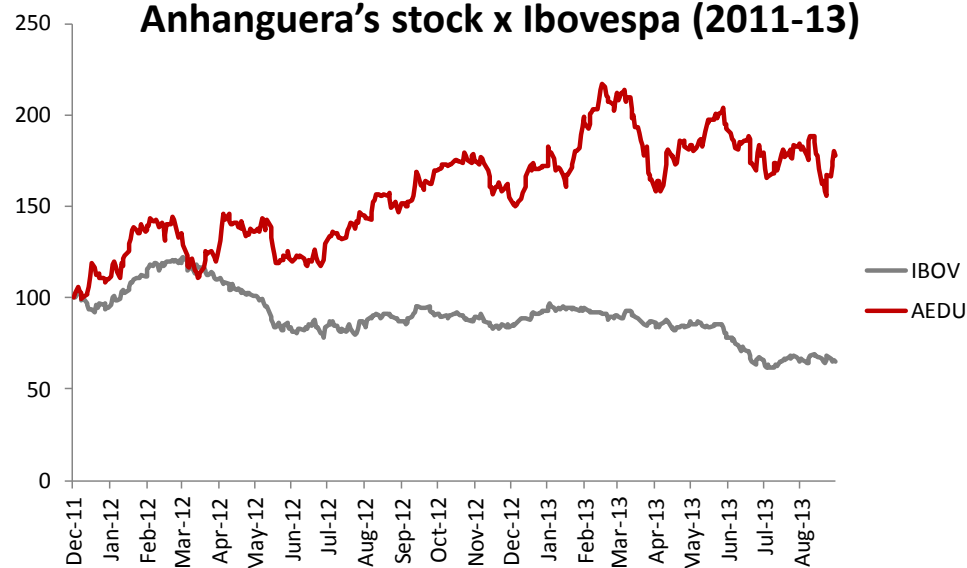
	P/E		Growth EPS	
	2013	2014	2013	2014
BRAM Coverage universe	15.0	13.6	12%	14%
Mid & Small Cap*	19.1	15.3	28%	21%

Brazil from the perspective of the streets

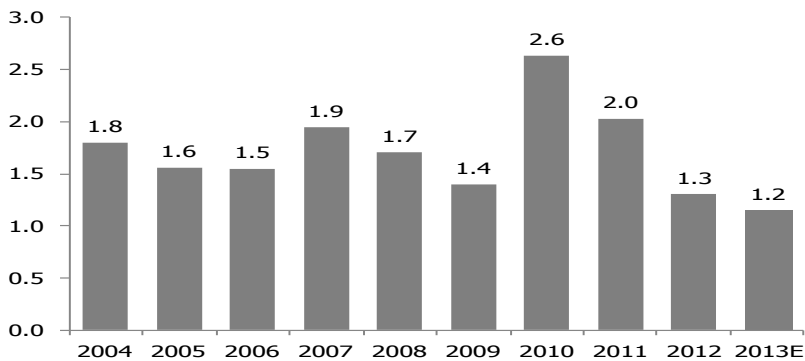
Students in College (in 1000s)



Anhanguera's stock x Ibovespa (2011-13)



Million new (formal) jobs





Thank You

Gracias

Bradesco é presença