



Europe is emerging – from the East.

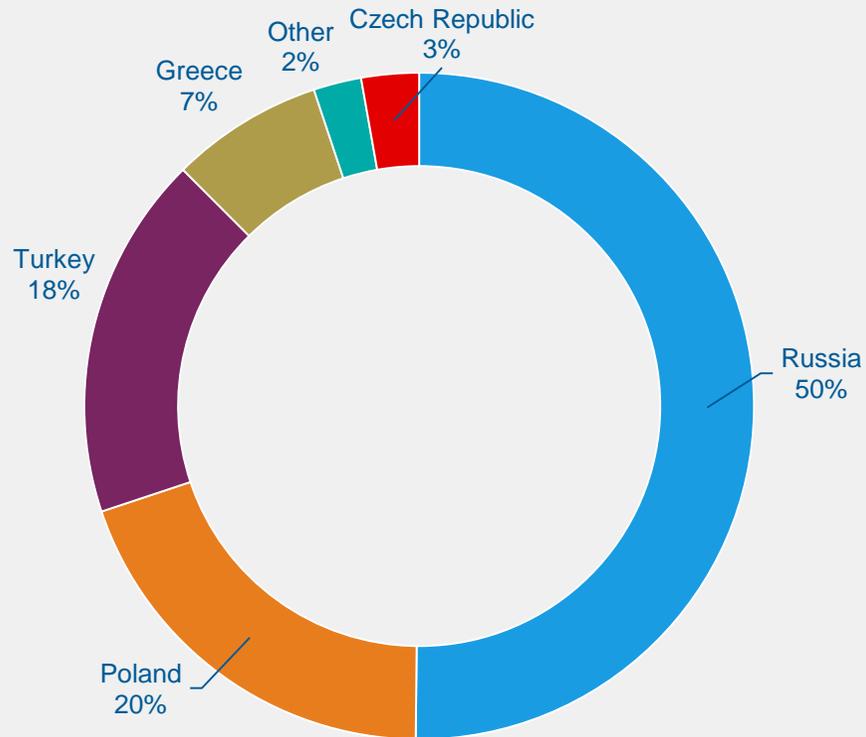
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Eastern Europe investment universe

It helps to think about the Emerging Markets of Europe in three main parts: Russia, Central Europe and Turkey

MSCI EM Europe 10/40 index country weights



Russia, Poland and Turkey dominate the Emerging Europe index

Source: MSCI, Aberdeen Asset Management, 30 September 2014



- Russia is the deepest market by far in terms of number and diversity of companies
- Most listed Russian companies are either state-owned or owned by oligarchs
- Valuations are cheap due to poor standards of corporate governance, cyclical orientation of many companies and – most recently – heightened political risk and sanctions
- Differs from other BRIC nations and emerging markets due to low population growth
- Rising middle class is helping drive growth of underdeveloped consumer sectors

Russian companies constitute half of the MSCI Emerging Europe 10/40 index

Central Europe

- Highest exposure and ties to Western Europe – recovery in the West will most directly benefit Central Europe
- Skilled labour, EU membership, geographic location and low corporate taxes all make for an attractive business climate
- But Central Europe comprises smaller, less liquid markets in countries with a wide variety of current economic conditions



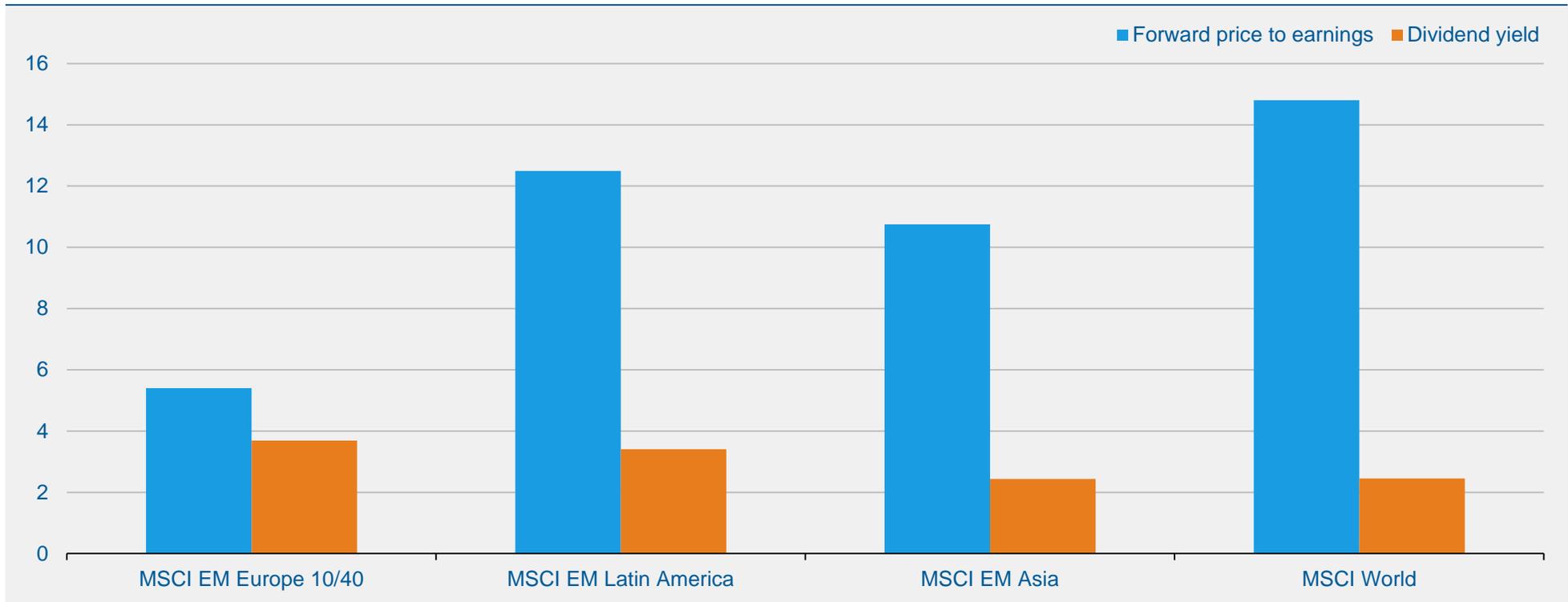
The Central Europe of two decades ago is unrecognisable



- Home to well-managed companies trading at attractive valuations
- Compelling long-term story despite current monetary and economic uncertainty
- Dominated by a small number of business groups but taking measures to improve corporate governance
- Exposure to the Turkish consumer through discount retailer BIM and brewer Anadolu Efes and the financial sector through well regarded private sector banks Akbank and Garanti
- Greece, newly added to the emerging markets universe, offers some interesting opportunities for the longer-term

Turkey is the region's single most attractive market despite the current macroeconomic uncertainty

An 'unloved' region offering compelling value



- In aggregate, valuations in Emerging Europe as a whole are the lowest across the global emerging market universe
- Scale of the discount to other parts of the emerging markets is hard to justify and has expanded this year

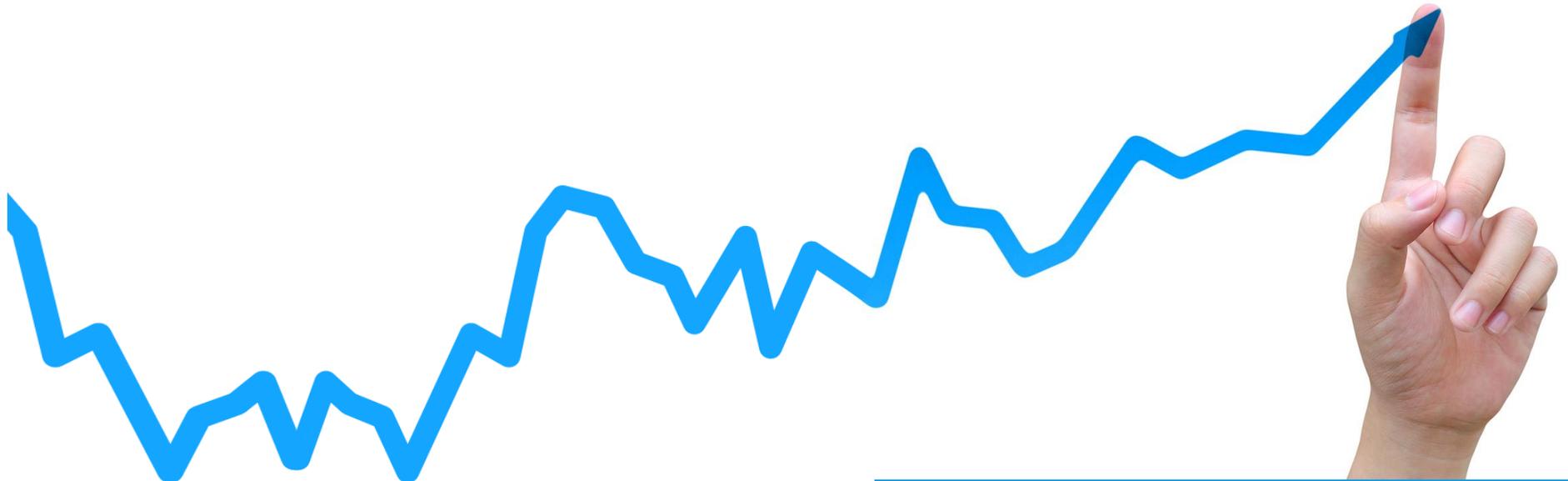
**Long-term investors should be attracted
by relative and absolute valuations**

Source: MSCI, Aberdeen Asset Management, 30 September 14

Eastern Europe is re-emerging

Dynamic growth, open economies and sustainable debt profiles

Country	2012	2013	2014	2015	2016	2017	2018	2019
Czech Republic	-1.2	-0.4	2.5	2.5	2.4	2.3	2.1	2.1
Greece	-6.4	-4.2	0.6	2.9	3.7	3.5	3.3	3.6
Hungary	-1.7	0.2	2.8	2.3	1.8	1.8	1.8	1.8
Poland	1.9	1.3	3.2	3.3	3.5	3.5	3.6	3.6
Russia	3.4	1.5	0.2	0.5	1.5	1.8	2	2
Turkey	2.2	3.8	3	3	3.7	3.5	3.5	3.5



International Monetary Fund, World Economic Outlook Database, Oct 14

Over the medium-term Emerging European growth rates are likely to outpace those of Western Europe

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